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## Oil and Gas

**Energy Website 'FracFocus' Praised by U.S. Agency Chief** (Source: Bloomberg, 3/6/12) The website used by the energy industry to track the chemicals employed in hydraulic fracturing won praise from the Obama administration official responsible for writing rules for oil and gas production on federal lands. The Bureau of Land Management is developing regulations that would ensure fracking, by injecting millions of gallons of water, chemicals and sand into underground rock to free oil and gas, doesn't pollute drinking-water supplies. The Interior Department unit, led by Bob Abbey, plans to require companies such as Chesapeake Energy Corp. (CHK) to list substances they use in producing oil or natural gas on federal lands. The American Petroleum Institute, which represents companies, has said producers disclose the chemicals on a website called FracFocus, and rules are unnecessary. More at: <http://bloom.bg/zvBOX6>

**Cause of Citgo East Refinery's alkylation unit leak Monday night investigated** (Source: The Corpus Christi Caller-Times, 3/6/12) The Citgo East Refinery's alkylation unit remains offline while personnel verify what caused a Monday night leak. Initial analysis shows that propane, butane and pentane were released into the air, along with a small amount of hydrofluoric acid, Citgo spokesman Larry Elizondo said. Chemical figures will be released at a later date, Elizondo said. An alkylation unit produces high-octane products for gasoline. Sensors detected the leak about 7:15 p.m. Monday. Automatic water cannons were activated, which confined the leaking chemicals to the immediate area of the unit, according to a company statement. Hazardous materials crews also were called to the scene. More at: <http://bit.ly/yYJifA>

**Natural gas revolution is a safe, abundant force for good** (Source: The Houston Chronicle Editorial, 3/6/12) The natural gas revolution is by far the most significant energy development in decades. Thanks to new technology and innovation, today we can affordably tap into vast fields of natural gas embedded in rocks deep in the earth, recovering a resource that just a few years ago was considered out of reach. But as with the extraction of any natural resource, the opportunities come with challenges. Many in areas where gas is being developed worry modern production techniques will harm their environment and endanger their health. These concerns must be addressed. More at: <http://bit.ly/zfjQjv>

**White House starts review of EPA oil and gas rules** (Source: E&E Publishing, LLC, 3/5/12) U.S. EPA sent final proposed rules to the White House on Friday that would require the oil and gas industry to slash emissions of smog-forming and cancer-causing chemicals, according to a website that tracks regulations. The suite of rules would include new limits on volatile organic compounds (VOCs) and toxic chemical emissions from drilling operations, pipelines, and processing and storage facilities. EPA says the rules would lead to a 25 percent reduction overall in emissions of VOCs, a 26 percent reduction in methane and a nearly 30 percent reduction for other air toxics. When EPA rolled out its proposal in July, the agency noted that the estimated \$754 million cost of compliance in 2015 would be more than offset by cost savings. More at: <http://bit.ly/yDaIK8>

**Conflicts of interest taint El Paso-Kinder Morgan mega-merger** (Source: E&E Publishing, LLC, 3/5/12) The merger of pipeline giants El Paso Corp. and Kinder Morgan Inc. has brought U.S. investment banks and buyout firms out of the woodwork to jockey for position as energy assets across the country go up for sale. Yet big banks like Goldman Sachs & Co. are facing energy industry shareholder revolts against entrenched conflicts of interest and the growing influence of the Wall Street titans. With El Paso shareholders set to vote on Kinder Morgan's proposed \$21 billion acquisition, El Paso management faces criticism from some shareholders. More at: <http://bit.ly/x5jO1K>

**Housing, labor shortages cloud Eagle Ford boom** (Source: E&E Publishing, LLC, 3/5/12) As oil and gas production booms in Texas' Eagle Ford Shale, communities are having trouble keeping pace. Homeowners in Three Rivers, Texas, have been renting out rooms to Eagle Ford workers, and some local business have taken to busing in workers from nearby towns. With Eagle Ford workers occupying many of the town's available living quarters, employees on other temporary projects have struggled to find accommodations. Twelve Valero Energy Corp. workers on a recent short-term maintenance project were lucky to find a homeowner willing to install a shower in his garage and let the workers live in the space, each at the rate of \$150 a week, Pearson said during the two-day inaugural conference of the Eagle Ford Shale Consortium, which ended Friday. More at: <http://bit.ly/xBZrML>

**Lawmakers, analysts debate the economics and politics of exporting LNG** (Source: E&E Publishing, LLC, 3/5/12) As low prices dominate the United States' growing natural gas market, what are the economic and political costs of exporting liquefied natural gas? In this E&ETV Special Report, lawmakers and analysts weigh in on the LNG exports debate and discuss how the issue could play into election year politics. Interviewed experts include, Joel Kirkland, deputy editor, EnergyWire; Rep. John Garamendi (D-Calif.); Rep. Pete Olson (R-Texas); Guy Caruso, former administrator, U.S. Energy Information Administration; Bill Cooper, president, Center for Liquefied Natural Gas; Lisa Epifani, former assistant secretary for congressional & intergovernmental affairs, Department of Energy; Kevin Book, managing director, ClearView Energy Partners; and Bruce McKay, managing director of federal affairs, Dominion Resources. More at: <http://bit.ly/AvhAZf>

**Deepwater drilling picks up again as BP disaster fades** (Source: The New York Times, 3/4/12) Nearly two years after an explosion on an oil platform killed 11 workers and sent millions of gallons of oil gushing into the Gulf of Mexico, deepwater drilling has regained momentum in the gulf and is spreading around the world. The announcement of an agreement late Friday by BP and lawyers representing individuals and businesses hurt by the disaster represented something of a turning of the page, though BP and its drilling partners continue to face legal challenges. More at: <http://on.msnbc.com/xim08x>

**Eagle Ford Shale communities work toward sustainable futures amid booming oil, gas production** (Source: The Corpus Christi Caller-Times, 3/3/12) Millions of barrels of oil and billions of cubic feet of gas have been extracted from the Eagle Ford Shale. Companies have invested billions of dollars in land leases, equipment and royalty payouts — and the boom isn't even at full throttle, industry insiders say. Eagle Ford has proved lucrative so quickly that production can't afford to stop and local governments across the 24-county drilling area are learning how much of their help it will take to keep it going. There are thousands of workers to house and traffic jams to manage. There is skilled labor to provide for drilling. And there are constant vacancies in lower-paying jobs to staff the restaurants, gas stations and other needed services which can't nearly compete with oil field paychecks. Tackling those issues has been a 15-month effort for the Eagle Ford Consortium, a group of industry, city, county, housing staffs, business owners and other stakeholders who meet monthly. More at: <http://bit.ly/AtcEZE>

**School in Eagle Ford Shale swells with newcomers** (Source: San Antonio Express-News, 3/3/12) Every weekday morning, the rumble of buses dropping off students at McMullen County's only public school gets drowned out by the heavy trucks whizzing by on Texas 16. Tilden is a small town, and with 235 students in pre-K through 12th grades, the school is small, too — even after enrollment jumped 42 percent in a year and a half. Outside, students can see the reason: drilling rigs in the distance. At recess, they run, slide and swing at a new playground built with corporate donations, a list brimming with names including Petrohawk Energy, Chesapeake Energy, Rush Truck Centers. More at: <http://bit.ly/wLipWs>

**Gas drilling task force issues recommendations for Dallas** (Source: The Dallas Morning News, 3/3/12) After months of discussion and sometimes contentious debate, a gas drilling task force has issued its recommendations to the city of Dallas for regulating the controversial practice of hydraulic fracturing. But the fight over if, where and how gas wells can be drilled in Dallas is far from over, with the City Council to stand as the final arbiter of a new ordinance. That could happen by summer. If nothing else, the task force's work did show where the fault lines are in the debate. And in the end, neither energy company representatives nor a coalition of environmentalists and community activists seemed pleased with the outcome. More at: <http://dallasne.ws/zJGPZ4>

## Air Quality

**New TV ads will focus on childhood asthma in bid to protect carbon rules** (Source: E&E Publishing, LLC, 3/7/12) Environmentalists will link carbon emissions to asthma in a television ad campaign that begins today. The Sierra Club and Natural Resources Defense Council are sponsoring the ad featuring elementary-school children wandering the halls of Congress with inhalers and wearing oxygen masks to meetings with lawmakers. The ad buy is timed to coincide with U.S. EPA's release of its first New Source Performance Standards for greenhouse gas emissions. The proposed rule for new power plants has been under review at the White House Office of Management and Budget for four months. More at: <http://bit.ly/yg3yYp>

**Oklahoma Sues Over Power Plant Controls, EPA's Disapproval of Regional Haze Plan** (Source: The Bureau of National Affairs Daily Environment Report, 3/6/12) Oklahoma has filed a challenge to the Environmental Protection Agency decision that best available retrofit technology is needed to control sulfur dioxide at six power plants and EPA's disapproval of the state's regional haze plan (Oklahoma v. EPA, 10th Cir., No. 12-9526, 2/24/12). In a petition for review filed Feb. 24 in the U.S. Court of Appeals for the Tenth Circuit, the state challenged EPA's final administrative decision Dec. 28, 2011, on the state implementation plan to control regional haze (76 Fed. Reg. 81,728). In its final action, EPA found that Oklahoma's plan to control sulfur dioxide at six facilities in Oklahoma did not meet the standards for requiring best available retrofit technology (BART). Specifically, EPA found Oklahoma had overestimated the cost of retrofitting the facilities to control sulfur dioxide and therefore did not require BART at the facilities. The six facilities, all coal-fired generating plants, are Oklahoma Gas & Electric Co.'s Sooner Units 1 and 2 and Muskogee Units 3 and 4, and the Public Service Co. of Oklahoma's Northeastern Units 3 and 4. EPA said its estimate of the BART costs were 50 percent to 75 percent lower than Oklahoma's estimate. More at: <http://bit.ly/A071nP>

**Court denies PNM request** (Source: Utility Products via Lexis Nexus, 3/6/12) An effort to hold off enforcement of new pollution control measures at a PNM co-owned electric generation plant fueled by coal was denied by the U.S. Court of Appeals in Denver last week. The utility, which serves a large area of New Mexico, including Ruidoso and Ruidoso Downs, had warned last year that the U.S. Environmental Protection Agency requirement at the San Juan Generating Station in northwestern New Mexico would translate into higher electric bills. PNM, as well as the New Mexico Environment Department and Gov. Susana Martinez, had sought a stay of the requirements while the rule itself is challenged. More at: <http://bit.ly/A39DkQ>

## Children's Health

**Flame Retardants Remain Widespread In Children's Products** (Source: HuffPost Green, 3/6/12) Flip over your couch cushion or desk chair and chances are, you'll see the same tag that is affixed to the bottom of many others: "This article meets the flammability requirements of California Bureau of Home Furnishings Technical Bulletin 117." The black-and-white notice also adorns an array of children's products, including car seats, strollers and baby changing mats. It might as well be a red flag, according to many health experts who caution that the added chemicals likely pose a greater health risk than any flames they might fend off. Common flame retardants have been linked with learning disorders, reduced fertility and cancer, they say, and non-chemical alternatives do exist. More at: <http://huff.to/zaS165>

## Climate Change

**NOAA sees 'direct connection' between climate data and better weather warnings** (Source: E&E Publishing, LLC, 3/7/12) The head of the National Oceanic and Atmospheric Administration headed to Capitol Hill yesterday to defend a budget plan that appears to please no one. The White House is seeking \$5.1 billion for NOAA in fiscal 2013, 3 percent above current spending. The request would balance growing costs for NOAA's satellite programs by cutting funds for weather, oceans, fisheries and research programs, a move that has drawn ire from an agency employees' union, environmental groups and lawmakers alike. NOAA Administrator Jane Lubchenco defended the plan yesterday, arguing that her agency's "tough choices" were made with public safety in mind. More at: <http://bit.ly/x8xmBw>

**Linking Climate Policy to Fiscal and Environmental Reform** (Source: Brookings Institute, 3/7/12) Both presidential candidates in 2008 campaigned for an economy-wide cap-and-trade program for greenhouse gases as the centerpiece of climate policy. Senator John McCain was an early and frequent supporter of cap-and-trade, co-sponsoring a number of such bills, including the Climate Stewardship Act of 2003 and the Climate Stewardship and Innovation Act of 2007. He campaigned on a plan to enact an economy-wide cap-and-trade system to reduce U.S. carbon emissions by 60 percent below 1990 levels by 2050. As a senator, Barack Obama never sponsored any climate bills, but he campaigned on a plan to enact an economy-wide cap-and-trade system to reduce U.S. carbon emissions by 80 percent below 1990 levels by 2050. More at: <http://bit.ly/x599JC>

**Climate change made the drought worse, scientists say** (Source: San Antonio Express-News, 3/5/12) Several scientists at NASA and the state climatologist say the record-setting heat and drought of last summer in Texas was made worse by climate change. More than just providing bragging rights that Texas now holds the record for hottest summer ever recorded in the United States, that conclusion adds another layer of uncertainty for water planners. James Hansen of the NASA Goddard Institute for Space Studies and Columbia University's Earth Institute titled his still unpublished climate analysis, "Perceptions of Climate Change: The New Climate Dice." More at: <http://bit.ly/z7K6op>

## Gulf Coast

**Officials expand swamp, preserving largest wetland forest in region** (Source: E&E Publishing, LLC, 3/6/12) The Maurepas Swamp Wildlife Management Area in Louisiana has been expanded by nearly 30,000 acres. The result is a 103,374-acre public outdoor recreation area, which preserves the largest connected wetland forest tract remaining in the Lower Mississippi River alluvial valley. The expansion means that about 140,000 acres are now protected within the Maurepas/Pontchartrain Basin. The basin is home to a variety of wildlife, including threatened and endangered species. The wetlands are key for aquatic species that support commercial and recreational fishing. The trees there also protect nearby populated areas from storm surge. More at: <http://bit.ly/zRfFcG>

## Radon

**Outreach programs face cuts, despite agency's environmental justice focus** (Source: E&E Publishing, LLC, 3/5/12) U.S. EPA began educating the public about the dangers of radon more than 20 years ago, after an employee at a nuclear plant came to work with the chemical on his clothes. The incident kicked off a concerted effort to help low-income households avoid a naturally occurring -- and odorless -- gas that can permeate homes and cause lung cancer. But EPA is now poised to end its part in the effort, due to an ever-shrinking budget. EPA has proposed cutting its radon funding by more than 80 percent next year, from \$12.1 million to \$2.2 million. That includes zeroing out its State Indoor Radon Grant Program, which helps states and American Indian tribes pay for radon testing in low-income homes and schools. It is just one of half a dozen environmental education programs that will see significant cuts even as EPA Administrator Lisa Jackson continues to push environmental justice as an agency priority. With Congress demanding tight budgets, the agency is cutting back on everything that isn't court-ordered or integral to its statutory mission. More at: <http://bit.ly/zviLAu>

## KXL

**TransCanada readies new route for Keystone oil pipeline** (Source: The Associated Press, 3/6/12) A Canadian company that wants to build a 1,700-mile oil pipeline through the U.S. to the Texas Gulf Coast will be ready shortly to submit plans for a new route that avoids the environmentally sensitive Nebraska Sandhills region, a TransCanada executive said Tuesday. TransCanada (TRP) also plans to begin construction on the pipeline's southern tier from Cushing, Okla., to Texas by late spring or early summer, said Alex Pourbaix, president of TransCanada's energy and oil pipelines division. In the long term, Canada wants to get more oil to market. Without the longer Keystone pipeline, that isn't possible. It appears the new plan will require about 20 miles of additional pipe, and about a 100-mile to 110-mile reroute around the Sandhills, Pourbaix said. More at: <http://usat.ly/wJ7cKr>

## Energy Policy

**At a Time When Texas Electricity Is Scarce, Does It Make Sense To Export It To Mexico?** (Source: Dallas Observer Editorial, 3/5/12) A company that supplies electricity to Texans called American Electric Power filed to renew its application to export electricity to Mexico with the U.S. Department of Energy back in December. It operates a 720-megawatt coal-fired power plant near Vernon, and apparently it has been supplying our southern neighbor with electricity for quite some time. In 2011, for example, AEP supplied the country with some 78,000 megawatt-hours (A megawatt-hour can power 1,000 homes for one hour). Normally, AEP's renewal application would probably get rubberstamped. But not today. More at: <http://bit.ly/A0ayp6>

**CERAWeek conference to focus on energy policy** (Source: The Houston Chronicle, 3/3/12) Energy policy will dominate the election-year program at the annual CERAWeek energy conference, which begins Monday at the Hilton Americas-Houston downtown. The conference will tackle issues including the plummeting price of natural gas, tension in the Persian Gulf and the revival of U.S. oil production, in a dense weeklong schedule of speeches and panel discussions featuring energy executives and political leaders. More at: <http://bit.ly/z1HnmQ>

## Ethane Cracking

**Chevron new ethane cracker to be operational by 2017** (Source: Fibre2fashion, 3/6/12) Chevron Phillips Chemical Company has announced that it has completed several key elements of the feasibility study announced earlier this year and plans to pursue a project to construct a world-scale ethane cracker and ethylene derivatives facilities in the U.S. Gulf Coast region. Chevron Phillips Chemical's existing Cedar Bayou facility in Baytown, Texas, would be the location of the new ethylene unit. More at: <http://bit.ly/AnmHOz>

## Water Funds

**Audit finds \$14M in improper payments to states from water funds** (Source: E&E Publishing, LLC, 3/6/12) Last year, U.S. EPA improperly paid more than \$14 million to states through Clean Water and Drinking Water state revolving funds, almost eight times as much as the year before. The agency recovered most of that money, and overall, the amount wasted through such grants is tiny in comparison to amounts paid improperly by agencies such as the Department of Defense and the Department of Health and Human Services. But as Congress and the White House target the more than \$100 billion in improper payments governmentwide each year, two recent reports provide a window into why and how EPA doles out money when it shouldn't. More at: <http://bit.ly/x9QIm3>

## Green Living

**Block 21 building recognized for eco-friendly features** (Source: The Austin American-Statesman, 3/6/12) One of downtown Austin's newest, most high-profile high-rises is now ranked among the world's most eco-friendly buildings. The use of green building techniques and a focus on sustainability have helped Block 21, site of the W Austin Hotel and Residences and the ACL Live concert venue, gain recognition from Austin Energy and the U.S. Green Building Council. The 37-story building is the largest to receive a four-star rating from Austin Energy, according to Armstrong, and it's the first mixed-use building of its type in the world to achieve Leadership in Energy and Environmental Design certification from the building council. Block 21 is also one of just two dedicated music venues in the United States to be LEED certified. More at: <http://bit.ly/zY5sDy>

## Electric Vehicles

**For some, electric cars are the best way to go** (Source: The Fort Worth Star-Telegram, 3/4/12) Fewer than 18,000 electric cars were sold in 2011, the first year that an environmentally conscious consumer could buy a roadworthy, commuter-friendly electric vehicle. That slow start was due in part to the fact that the Volt, the first to the market, wasn't widely available until late in the year and the Nissan Leaf is still in short supply. General Motors announced Friday that it is suspending production of the Volt for five weeks beginning March 19 because of lower-than-expected demand. More at: <http://bit.ly/yCzVLE>



## Lead

**EPA Sued Over Air Toxics Standards For Secondary Lead Smelting Facilities** (Source: The Bureau of National Affairs Daily Environment Report, 3/7/12) Both industry and environmental groups are suing the Environmental Protection Agency over revised air toxics standards for secondary lead smelting facilities, which are expected to help bring some areas into compliance with the air quality standard for lead. The Association of Battery Recyclers Inc., Johnson Controls Battery Group Inc., Doe Run Resources Corp., and the Sierra Club filed separate petitions for review March 5 in the U.S. Court of Appeals for the District of Columbia Circuit. More at: <http://bit.ly/AfMKoX>

## Regulatory Efficiency

**CEQ Issues Final Guidance on Efficiency In Agency Efforts to Comply With NEPA** (Source: The Bureau of National Affairs Daily Environment Report, 3/7/12) The White House Council on Environmental Quality issued final guidance March 6 to clarify that federal agencies can use various steps to increase the efficiency of all types of environmental reviews. The guidance is intended not only to encourage efficiency in regulation but to specify that CEQ regulations that refer to efficiencies in an environmental impact statement (EIS) also should allow for efficiencies in an environmental assessment (EA), which are the analyses developed to satisfy requirements of the National Environmental Policy Act. NEPA analyses are needed whenever a federal agency takes an action, such as approving a project, that could have a substantial impact on the environment. An EIS can take as much as two years to complete. More at: [html](http://bit.ly/html)

## Redistricting

**Feds reject Galveston County, Texas, redistricting plan** (Source: USA Today, 3/6/12) The U.S. Department of Justice has rejected proposed redistricting plans that would reduce the number of justices of the peace and constables - and precincts - in Galveston County, Texas, saying the county has not been able to prove that its intentions are not discriminatory. Texas is one of the states and places in the South that must undergo Voting Rights Act preclearance from either the Department of Justice or a federal court in Washington for any proposed changes involving elections because of a history of discrimination. The proposed plan included reducing the number of justices of the peace from nine to five and the number of constables from eight to five, according to a letter dated March 5 signed by Thomas Perez, assistant attorney general, and addressed to James Trainor, a lawyer in Austin. More at: <http://usat.ly/wvv8s9>

## “Frankenfish”

**So Will That Be the Wild or Patented Salmon?** (Source: HuffPost Green, 3/6/12) It looks like 2012 will be the year of two salmons: one a genetically altered "Frankenfish" currently under review by the Food and Drug Administration, and the other an inhabitant of one of the world's last great wild salmon runs, which is unfortunately situated atop a whole lot of copper and gold deposits. Our first salmon represents a giant step into the unknown of genetically engineered organisms. AquaBounty, a company originally incorporated to produce antifreeze, is trying to get FDA approval of its very own patented salmon species called "AquaAdvantage." More at: <http://huff.to/y379QG>

## TCEQ

**Second In Command At TCEQ Is Lone Applicant For Top Job** (Source: The Austin American-Statesman, 3/6/12) A former environmental adviser to Gov. Rick Perry is the lone applicant to run the state's environmental agency after spending about 2½ years as the agency's second in command. The Texas Commission on Environmental Quality's three-member board will meet today to discuss — and possibly vote on — the promotion of 36-year-old Zak Covar to head the world's second-largest environmental agency, which employs more than 2,700 people and has an annual budget of \$346 million. More at: <http://bit.ly/yatsnl>

# Bloomberg

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By Katarzyna Klimasinska - Mar 6, 2012

The website used by the [energy industry](#) to track the chemicals employed in hydraulic fracturing won praise from the Obama administration official responsible for writing rules for oil and gas production on federal lands.

The Bureau of Land Management is developing regulations that would ensure fracking, by injecting millions of gallons of water, chemicals and sand into underground rock to free oil and gas, doesn't pollute drinking-water supplies.

The Interior Department unit, led by [Bob Abbey](#), plans to require companies such as [Chesapeake Energy Corp. \(CHK\)](#) to list substances they use in producing oil or natural gas on federal lands. The [American Petroleum Institute](#), which represents companies, has said producers disclose the chemicals on a website called [FracFocus](#), and rules are unnecessary.

"FracFocus has worked well for disclosure of chemicals," Abbey said today at a House Appropriations Committee hearing in Washington. "Fracking technology is a tremendous, tremendous tool for this nation and to the industry to allow us to continue to make progress to reduce our dependence on foreign fuels."

Abbey said the U.S. agency plans to adopt some industry disclosure practices, without elaborating.

The Washington-based Environmental Working Group, backing a detailed disclosure on a website and in mail to people living near fracking sites, said some chemicals disclosed by the companies are known to cause cancer or harm the human reproduction system.

Fracking is used for about 90 percent of drilling on public lands, Abbey said.

To contact the reporter on this story: Katarzyna Klimasinska in [Washington](#) at [kklimasinska@bloomberg.net](mailto:kklimasinska@bloomberg.net)

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## Cause of Citgo East Refiner. 's alkylation unit leak Monday night investigated

By Mike D. Smith

Originally published 05:48 p.m., March 6, 2012

Updated 08:41 p.m., March 6, 2012

CORPUS CHRISTI . The Citgo East Refinery's alkylation unit remains offline while personnel verify what caused a Monday night leak.

Initial analysis shows that propane, butane and pentane were released into the air, along with a small amount of hydrofluoric acid, Citgo spokesman Larry Elizondo said.

Chemical figures will be released at a later date, Elizondo said.

An alkylation unit produces high-octane products for gasoline.

Sensors detected the leak about 7:15 p.m. Monday.

Automatic water cannons were activated, which confined the leaking chemicals to the immediate area of the unit, according to a company statement.

Hazardous materials crews also were called to the scene.

The nearby community was never in danger as a community air monitoring team did not detect chemicals, according to the statement.

No one was injured.

The water cannons appeared to be triggered by a leak in a flange, or the point where two spools of pipe are fastened together, Elizondo said.

The final cause is being assessed, he said.

The plant's oil refining abilities were not affected by the leak and shutdown, Elizondo said.

In 2009, the alkylation unit — commonly called an "alky unit" — exploded and caught fire, seriously injuring a worker and leading to a federal investigation and state environmental fines.



## Natural gas revolution is a safe, abundant force for good

By Peter Voser

Updated 07:16 p.m., Tuesday, March 6, 2012

The natural gas revolution is by far the most significant energy development in decades. Thanks to new technology and innovation, today we can affordably tap into vast fields of natural gas embedded in rocks deep in the earth, recovering a resource that just a few years ago was considered out of reach.

But as with the extraction of any natural resource, the opportunities come with challenges. Many in areas where gas is being developed worry modern production techniques will harm their environment and endanger their health. These concerns must be addressed.

The need to develop this abundant resource is clear. Underlying global demand for energy is likely to double or even triple in the first half of this century. The world needs to invest heavily in energy production, both in traditional sources and in renewables.

Natural gas is affordable, clean-burning and benefits the economy. It's a natural ally to renewables like wind and solar. And its supply is diverse, which enhances energy security.

It is a secure, abundant force for good. But to ensure the world fully realizes these benefits, our industry needs to prove it is up to the task of developing this resource the right way. To be honest, our industry has not always done its best to engage in public debates about these issues. This has resulted in some misconceptions, especially about the impact of hydraulic fracturing, or "fracking."

We need to do a better job of listening and responding. To this end, Shell last year announced five operating principles for our onshore tight oil and gas operations. These provide a framework for protecting water, air, wildlife and the communities in which we operate. We are committed to support regulations consistent with these principles. Our hope is they can be applied over time to all tight oil and gas operations around the world.

The fact is, hydraulic fracturing has been performed more than 1.1 million times in the U.S. alone over the past 60 years. Documented instances of freshwater contamination have been extremely rare. When a well is designed and constructed correctly, groundwater will not be contaminated. As an industry, we must insist on strong regulation and enforcement to ensure everyone in the industry does the job right.

We also support President Obama's call for regulation to disclose chemicals used in hydraulic fracturing fluids. Indeed, we support regulations to promote transparency and public engagement by the tight and shale gas industry in relation to all of its activities.

Another major public concern about hydraulic fracturing is excessive water use. Sound operational

practices can keep water consumption to a minimum. We design our operations to reduce the amount of potable water we use. Wherever practical, we use nonpotable water and recycle water from our operations.

Studies done by Harvard and MIT researchers show the water intensity of shale gas ranks among the lowest of all fuel sources. Across the life cycle, shale gas-fired power consumes only half the volume of fresh water per megawatt hour consumed by coal and nuclear.

A third area of concern is greenhouse gas emissions, especially methane, from shale gas production. This is an area in which more research is needed to understand the true extent of methane releases from the natural gas industry. To that end, Shell is among operators working with the [Environmental Defense Fund](#) to accurately measure methane emissions from natural gas production in the United States.

It's also important to remember overall greenhouse gas emissions from shale gas-fired power are still only around half of those from coal, across the life cycle from production to use.

The gas revolution offers the world a tremendous opportunity to help meet the growing demand for affordable, cleaner energy in the coming decades. The scale of this opportunity makes it vital that the public discussion and policymaking be based on hard facts and rigorous analysis.

We must ensure the work of each and every operator is done to the highest standards. Our industry needs to listen and respond to public concerns, and become more transparent about our operations. We need to cooperate with government and nongovernmental organizations that have a stake in developing this resource the right way.

Only then will the world fully realize the benefits of natural gas as a secure, abundant force for good.

oser is C O of [oyal Dutch Shell](#).

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## THE LEADER IN ENERGY &amp; ENVIRONMENTAL POLICY NEWS

**22. AIR POLLUTION:****White House starts review of EPA oil and gas rules**

Jeremy P. Jacobs, E&E reporter

Published: Monday, March 5, 2012

U.S. EPA sent final proposed rules to the White House on Friday that would require the oil and gas industry to slash emissions of smog-forming and cancer-causing chemicals, according to a website that tracks regulations.

The suite of rules would include new limits on volatile organic compounds (VOCs) and toxic chemical emissions from drilling operations, pipelines, and processing and storage facilities.

EPA says the rules would lead to a 25 percent reduction overall in emissions of VOCs, a 26 percent reduction in methane and a nearly 30 percent reduction for other air toxics.

When EPA rolled out its proposal in July, the agency noted that the estimated \$754 million cost of compliance in 2015 would be more than offset by cost savings. Specifically, the amount of natural gas and condensate that would be captured by the new pollution controls could be sold for \$783 million, EPA said. That would allow for money spent on upgrades to be recovered within a year at most.

EPA in particular touted savings from capturing methane. The agency said capturing and selling of the gas will offset the rule's costs and also reduce the industry's carbon footprint because methane is a greenhouse gas.

Gina McCarthy, EPA's air chief, said the rule would produce significant health effects.

"Reducing these emissions will help cut toxic pollution that can increase cancer risks and smog that can cause asthma attacks and premature death -- all while giving these operators additional product to bring to market," McCarthy said when the rules were proposed last summer [E&ENews PM](#), July 28, 2011).

About 1.1 million wells that are already producing oil and gas would be covered by the rule, as would the 11,400 new natural gas wells drilled every year using hydraulic fracturing. The rules would also regulate about 600 natural gas processing plants, 3,000 compressor stations and 1.5 million miles of pipeline.

Industry has raised doubts about EPA's calculations. The American Petroleum Institute challenged EPA's findings in December and asked the agency to wait another year to issue the rules. API said EPA was significantly overestimating how much gas is escaping and, consequently, could be captured and sold, drastically reducing the cost offsets predicted ([Greenwire](#), Dec. 1, 2011).

The agency's calculations have also been questioned on Capitol Hill. House Oversight and Government Reform Committee Chairman Darrell Issa (R-Calif.) sent a letter to the agency in December criticizing its methane emission statistics.

"The committee is concerned that these methane emissions estimates, now being relied upon internationally, were not based on sound science," Issa wrote.

Issa also pointed out that EPA revised its methane analysis last year and nearly doubled its previous estimates. The agency, however, has firmly stood behind its findings ([Greenwire](#), Dec. 7, 2011).

EPA is expected to finalize the rules in April. The agency is required to set the standards under a settlement with environmentalists.

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## THE POLITICS AND BUSINESS OF UNCONVENTIONAL ENERGY

### 3. PIPELINES:

#### Conflicts of Interest taint El Paso-Kinder Morgan mega-merger

Joel Kirkland, E&E reporter

Published: Monday, March 5, 2012

The merger of pipeline giants El Paso Corp. and Kinder Morgan Inc. has brought U.S. investment banks and buyout firms out of the woodwork to jockey for position as energy assets across the country go up for sale.

Yet big banks like Goldman Sachs & Co. are facing energy industry shareholder revolts against entrenched conflicts of interest and the growing influence of the Wall Street titans.

With El Paso shareholders set to vote tomorrow on Kinder Morgan's proposed \$21 billion acquisition, El Paso management faces criticism from some shareholders that its longtime adviser, Goldman Sachs, has an irreconcilable conflict: It owns 19 percent of El Paso's suitor, Kinder Morgan.

Far from the Texas headquarters of the two largest U.S. natural gas pipeline companies, the conflict came spilling out in a Delaware courtroom last month. An El Paso shareholder lawsuit asserted that the board of directors ignored Goldman Sachs' conflict of interest while taking its advice. The suit accused the bank of using its position as an insider in both companies to orchestrate the best financial deal for Kinder Morgan and itself, instead of a better deal for El Paso investors.



Kinder Morgan CEO Richard Kinder. Photo courtesy Kinder Morgan.

"This case presents a rare combination of deliberate indifference to an advisor's flagrant conflicts with the soft but powerful harm from undisclosed management conflicts," said a Feb. 2 brief asking Delaware Chancery Court Judge Leo Strine to stop the shareholder vote.

Shareholders also took aim at El Paso CEO Douglas Foshee, whom analysts credit with pulling the company out of a long rough patch to position it for a sale. They say Foshee quietly undermined a decision last summer to sell El Paso's oil and gas production assets to the highest bidders, as he negotiated with Kinder Morgan CEO Richard Kinder to complete the nation's biggest-ever pipeline merger.

Still, the El Paso case has joined other shareholder complaints in recent years that raised serious questions about management decisions and the role of big banks but failed to change the course of a major merger.

On Wednesday, Strine ruled that El Paso stockholders "should not be deprived of the chance to decide for themselves about the merger."

But he had some choice words about Goldman's and Foshee's conflicts of interest and left open the door to future litigation.

"The kind of troubling behavior exemplified here can result in substantial wealth shifts from stockholders to insiders that are hard for the litigation system to police," Strine said -- especially, he added, "if stockholders continue to display a reluctance to ever turn down a premium-generating deal when that is presented."

El Paso and Kinder Morgan appear to be marching toward closing the deal.

On Feb. 24, as the shareholder group waited for the judge in Delaware to rule, Kinder Morgan announced that a private equity group led by Apollo Global Management and Riverstone Holdings (already a major investor in Kinder Morgan) would acquire El Paso's oil and gas exploration business for \$7.1 billion once the merger goes through. The sale is designed to help Kinder Morgan pay for its \$21 billion purchase of El Paso, which is expected to close before July.

A majority of El Paso shareholders are expected to approve the merger with Kinder Morgan tomorrow.

#### The new normal

There are fewer big banks today than there were four years ago, so the entangled financial interests and multiple advisory and investor roles in the Kinder Morgan-El Paso merger are more the norm than the exception, said banking experts.

"They're supposed to have Chinese walls. But how can you trust it these days? It's a huge problem," said Susan Webber, head of New York-based Aurora Advisors and chief writer of the blog [Naked Capitalism](#) under the name Yves Smith.

Lynn Stout, a professor of corporate and securities law at the University of California, Los Angeles, called conflicting investor and advisory roles a "chronic problem in the business world." Energy firms are too beholden to shareholders. Take the case of BP's oil spill in the Gulf of Mexico, Stout said. "BP's a company that lost at least \$100 billion in share value because they were in a rush to save \$1 million a day."

If federal regulators approve the merger, it will create the largest pipeline company and fourth biggest energy company in North America. The \$94 billion enterprise would own about 80,000 miles of pipeline.

When El Paso's pipeline assets are folded into Kinder Morgan and its master limited partnership, Goldman will hold a 19 percent stake in the nation's largest operator of pipelines, storage hubs and distribution terminals. That includes the tangle of El Paso pipelines stretching out of southern Louisiana into the Southeast and Northeast, the companies' interstate pipelines out of Rocky Mountain oil and gas fields, and critical oil lines along the West Coast.

The Kinder Morgan-El Paso partnership also brings financial heft to a major build-out of infrastructure around U.S. shale oil and gas plays. Already, the combined companies operate pipelines out of the Eagle Ford and Barnett basins in Texas, Haynesville in Louisiana, Fayetteville in Arkansas, and Marcellus and Utica basins in the Northeast.

"It's a very ambitious move," said John Olson, co-founder of Houston Energy Partners, adding that managing the sell-off of El Paso's production assets would take "considerable financial engineering."

Richard Kinder, the architect of the merger, is a former Enron chief executive who built the company on the premise that hard energy assets are more valuable and less risky than energy trading. But to keep expanding its infrastructure, Kinder Morgan leans on private equity investors, partnerships and a steady cycle of acquisitions. Assets are spread across a pyramid of subsidiaries and a tax-advantaged master limited partnership, Kinder Morgan Energy Partners.

When they finalize the merger, Kinder told analysts, he plans to drop some combined pipeline assets into El Paso Pipeline Partners.

Kinder combined forces with the private equity arm of Goldman Sachs and Highstar Capital, TCG Holdings, Carlyle Group and Riverstone in 2006 in a \$22 billion deal that privatized his company. At the time, it was the largest leveraged buyout in nearly two decades. In February 2011, Kinder Morgan put 95 million shares of common stock up for sale in a nearly \$3 billion public offering on the New York Stock Exchange ([ClimateWire](#), Feb. 14, 2011). That money went to help pay back the private equity firms for their 2006 investment.

Today, those firms control 45 percent of Kinder Morgan, according to its annual report filed with the Securities and Exchange Commission last month.

## Conflicts seen beyond Goldman Sachs

New York attorney Mark Lebovitch of Bernstein Litowitz Berger & Grossman LLC led the shareholder protest in Delaware, where the companies are incorporated. The group included a handful of state pension funds.

His clients' central beef is that El Paso's board accepted Kinder Morgan's cash offer of \$25.91 per share even though it fell short of a price floor the board had set. The purchase price and the assumption of El Paso debt are valued at \$38 billion.

From Lebovitch's telling through court papers, the erosion of a conflict-free deal began in August 2011, when Kinder approached El Paso's Foshee with an initial offer. Top executives at El Paso "immediately contacted" Goldman Sachs' managing director Steve Daniel for advice.

"Goldman's staggering conflict of interest was obvious from the outset: with a stake in KMI worth over \$4 billion, every dollar shaved off the buyout price represented approximately \$150 million of savings for Goldman," said Lebovitch's brief.



Further, Lebovitch asserts that Morgan Stanley, another El Paso adviser, had economic incentives to push for a merger under contract terms for its advisory work. Email exchanges, he told the court, also showed that top El Paso executives had quietly concocted a plan to buy El Paso's exploration and production assets from Kinder Morgan once the deal closed, and had good reasons to push El Paso's final sale price down.

"When anyone conceals his self-interest -- as both Foshee and Goldman banker Steve Daniel did -- it is far harder to credit that person's assertion that that self-interest did not influence his actions," Strine said in his ruling.

El Paso and Goldman Sachs representatives would not comment on the specific allegations. But in court papers, they said the bank played only a secondary role in advising the El Paso board, despite an agreement that El Paso pay a \$20 million advisory fee to Goldman Sachs. They also dismissed claims that El Paso executives who had expressed interest in getting in on the sale of production assets had hidden motives that materially affected El Paso's purchase price.

El Paso responded through a press release. El Paso said it agreed with the judge's decision to allow shareholders to vote on the merger. "El Paso respectfully disagrees, however, with certain of the preliminary findings contained in the court's opinion, and expects to have the opportunity to more fully respond to those findings in future proceedings."

Craig Shere, an energy analyst for investment research firm Tuohy Brothers, said the offer for El Paso isn't as premium a deal as other recent energy deals. Still, he said, "it's an issue of a bird in the hand."

"I wouldn't describe it as a premium offer if Southern Union is the example," he said. "But that was a bidding war."

Shareholders for a smaller pipeline competitor, Southern Union, in December gave the green light to a \$5.7 billion sale to Energy Transfer Equity. It came after a protracted period of offers and counteroffers from other suitors.

Natural gas out of U.S. shale basins appears to dominate Kinder Morgan's view on acquisitions.

"Even in the Haynesville, despite the fact that there are low gas prices, people are still drilling, and that field will produce a tremendous amount of gas for years and years to come," Kinder Morgan Chief Financial Officer Kimberly Dang said at a Credit Suisse conference last month. "So there will need to be assets to move that gas out of there."

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## THE POLITICS AND BUSINESS OF UNCONVENTIONAL ENERGY

**13. WORKFORCE:****Housing, labor shortages cloud Eagle Ford boom***Published: Monday, March 5, 2012*

As oil and gas production booms in Texas' Eagle Ford Shale, communities are having trouble keeping pace.

Homeowners in Three Rivers, Texas, have been renting out rooms to Eagle Ford workers, and some local business have taken to busing in workers from nearby towns.

"We have no labor pool in Three Rivers," said Mike Pearson, former executive director of the town's Chamber of Commerce. "If you're going to open a business in town, you'd better bring your workers with you."

With Eagle Ford workers occupying many of the town's available living quarters, employees on other temporary projects have struggled to find accommodations. Twelve Valero Energy Corp. workers on a recent short-term maintenance project were lucky to find a homeowner willing to install a shower in his garage and let the workers live in the space, each at the rate of \$150 a week, Pearson said during the two-day inaugural conference of the Eagle Ford Shale Consortium, which ended Friday.

Some shelter-seeking workers have resorted to living in tents in the city park, a living situation that has also become the standard in North Dakota's Bakken Shale, Pearson said.

Leodoro Martinez, chairman of the consortium, said he hopes recent struggles will push energy companies to fund community developments.

Dimmit County Judge Francisco Ponce said during the conference that the county's roads "are in bad shape" and could benefit from a corporate fee to fund maintenance and repair.

"The oil companies are working with us," he said.

Texas Workforce Commission Chairman Tom Pauken, the conference's keynote speaker, said he will advocate for educational policies encouraging more training programs in the skilled trades.

"We've gotten away from emphasizing jobs in the trades," Pauken said. "Not everybody is suited to go to a four-year university" (Vicki Vaughan, [San Antonio Express-News](#), March 2). -- PK

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## THE POLITICS AND BUSINESS OF UNCONVENTIONAL ENERGY

**14. ENERGY POLICY:****Lawmakers, analysts debate the economics and politics of exporting LNG***Published: Monday, March 5, 2012*

As low prices dominate the United States' growing natural gas market, what are the economic and political costs of exporting liquefied natural gas? In this E&ETV Special Report, lawmakers and analysts weigh in on the LNG exports debate and discuss how the issue could play into election year politics. Interviewed experts include, Joel Kirkland, deputy editor, *EnergyWire*; Rep. John Garamendi (D-Calif.); Rep. Pete Olson (R-Texas); Guy Caruso, former administrator, U.S. Energy Information Administration; Bill Cooper, president, Center for Liquefied Natural Gas; Lisa Epifani, former assistant secretary for congressional & intergovernmental affairs, Department of Energy; Kevin Book, managing director, ClearView Energy Partners; and Bruce McKay, managing director of federal affairs, Dominion Resources. Today's Special Report will air at 10 a.m. EST.

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**Oil companies intensify exploration, production in gulf after yearlong moratorium**

By

**CLIFFORD KRAUSS and JOHN M. BRODER****The New York Times**

updated 3/4/2012 10:59:53 PM ET

**HOUSTON** — Nearly two years after an explosion on an oil platform killed 11 workers and sent millions of gallons of oil gushing into the Gulf of Mexico, deepwater drilling has regained momentum in the gulf and is spreading around the world.

The announcement of an agreement late Friday by BP and lawyers representing individuals and businesses hurt by the disaster represented something of a turning of the page, though BP and its drilling partners continue to face legal challenges.

After a yearlong drilling moratorium, BP and other oil companies are intensifying their exploration and production in the gulf, which will soon surpass the levels attained before the accident. Drilling in the area is about to be expanded in Mexican and Cuban waters, beyond most American controls, even though any accident would almost the United States shoreline. Oil companies are also moving into new areas off the coast of East Africa and the eastern Mediterranean.



The satellite oil rig "Danny Adkins," owned by Noble Oil, can be

### **Related story: Shell sues environmental groups to score drilling rights**

The reason for the resumption of such drilling, analysts say, is continuing high demand for energy worldwide.

"We need the oil," said Amy Myers Jaffe, associate director of the Rice University energy program. "The industry will have to im regulators will have to adjust, but the public will have to deal with the risk of drilling in deep waters or get out of their cars."

Domestic oil exploration and gasoline prices are emerging as important issues in the presidential campaign. While candidates ha reasons for rising prices, there is little disagreement over the call for more drilling, onshore and offshore.

"The price of gasoline is becoming a genuine crisis for many American families," said Newt Gingrich, the former House speaker the Republican nomination, appearing on CNN Sunday morning. "If it continues to go higher, it will crater the economy by Aug

**President Obama**, while in New Hampshire last Thursday, countered Republican charges that he was to blame for the rising pai "We've opened millions of new acres for oil and gas exploration, and approved more than 400 drilling permits since we put in pla standards in the wake of the gulf oil spill," Mr. Obama said.

Gas prices are averaging \$3.76 a gallon, while crude oil futures settled at \$106.70 a barrel on Friday.

Exploration in deepwater fields remains dangerous because of high temperatures and high pressure when drilling 6,000 feet or n floor, and accidents continue to occur, most notably last year off the coasts of China and Brazil.

But despite the risks, the deepwater drilling trend is spreading in the Mediterranean and off the coast of East Africa after a string

of natural gas.

The new oil platforms will help supply growing demand in China, India and across the developing world. At the same time, turmoil in the Middle East threatens operations in established fields that the world has relied on in recent decades.

For a time after the BP spill, the drilling moratorium ordered by the Obama administration caused a decline in gulf production, but it did not occur. Forty rigs are drilling in the gulf today compared with 25 a year ago.

#### [Story: Deepwater Horizon rig: What went wrong?](#)

BP has five rigs drilling in the gulf, making it one of the most active drillers there. That is the same number BP operated before the spill. BP plans to have three more rigs drilling in the gulf by the end of the year.

The Energy Department recently projected that gulf oil production would expand from its 2011 level of 1.3 million barrels a day, or a quarter of total domestic production, to two million barrels a day by 2020.

Last December, the Obama administration held its first offshore auction since the BP spill, granting leases for more than 20 million acres of waters — bigger than West Virginia. The leases are worth \$330 million to the federal government and have the potential to produce billions of barrels of oil.

BP successfully bid for 11 of the 191 available drilling blocks. Environmentalists challenged the auction of exploration rights, so that drilling can only proceed after which precedes applications and approvals for actual drilling permits.

By the Obama administration's accounting, 61 drilling permits for wells in more than 500 feet of water were granted in the 12 months ending March 27, only six fewer than were permitted in the same period in 2009 and 2010 before the BP explosion.

"The political discourse about energy has really changed over the last two years," said Daniel Yergin, the oil historian and author of a new book about energy security. Despite the BP accident, he added, "there's a new focus on how U.S. oil production should increase both onshore and offshore."

If there has been any disagreement, it has been over how fast to expand the drilling.

Representative Edward J. Markey, Democrat of Massachusetts, said the Obama administration had put in place significantly tougher [drilling](#) requirements, but they have been resisted by Republicans in the House, who have passed legislation to hasten review of contracts to open new areas to development.

#### [Related: Keystone pipeline claims just don't add up](#)

"The Republicans and the oil industry are maintaining the speed-over-safety mentality that led to the BP disaster in the first place," said Markey, who has been critical of the Obama administration's response to the spill and to what he called a dangerous overuse of dispersants in the gulf. "We now understand the lessons, but Republicans have blocked all new safety laws," he said. "Not one has been passed in years."

Yet Republicans argue, loudly, that Mr. Obama is not doing nearly enough to expand drilling. The Republican majority in the House has passed legislation to speed lease sales on public lands while pressing to open the Atlantic and Pacific coasts — which have been largely protected from drilling since the Santa Barbara oil spill in 1969 — to extensive oil and gas development.

"This is a president who does not understand energy," said [Mitt Romney](#), the former governor of Massachusetts, while campaigning for his Republican presidential nomination last week in Fargo, N.D. "He is the problem. He is not the solution."

Mr. Romney, who said last week that he had named a billionaire oil industry executive, Harold Hamm of Continental Resources, as one of his energy advisers, has said he would relax regulations and speed the permitting process.



The expansion of deepwater drilling is happening despite accidents in offshore fields, though none have compared to the BP spill. ConocoPhillips and a Chinese state company leaked more than 3,200 barrels of oil and fluid into China's Bohai Bay last June, for a square mile slick.

A comparable spill occurred last November from an appraisal well in Brazil's Campos basin operated by Chevron. Federal investigators imposed fines and even prison terms for Chevron officials, but a federal judge declined to grant an injunction suspending Chevron's Brazilian operations. Those of the oil rig contractor, Transocean, the company that owned and operated the Deepwater Horizon for BP.

Nevertheless, the Obama administration reached an agreement with the Mexican government to open a new tract to offshore drilling in water more than 6,000 feet deep, despite persistent questions about the strength of Mexican oil industry regulation. Skeptics worry that another accident in Mexican waters — like the 1979 blowout of the Ixtoc I well in the Bay of Campeche — could foul American shoreline operations for years.

*Clifford Krauss reported from Houston and John M. Broder from Washington.*

*This story, "[Deepwater oil drilling accelerates as BP disaster fades](#)," first appeared in the New York Times.*

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## Eagle Ford Shale communities work toward sustainable futures amid booming oil, gas production

By Mike D. Smith

Originally published 10:24 p.m., March 3, 2012

Updated 10:24 p.m., March 3, 2012

CORPUS CHRISTI . Millions of barrels of oil and billions of cubic feet of gas have been extracted from the Eagle Ford Shale.

Companies have invested billions of dollars in land leases, equipment and royalty payouts — and the boom isn't even at full throttle, industry insiders say.

Eagle Ford has proved lucrative so quickly that production can't afford to stop and local governments across the 24-county drilling area are learning how much of their help it will take to keep it going.

There are thousands of workers to house and traffic jams to manage.

There is skilled labor to provide for drilling.

And there are constant vacancies in lower-paying jobs to staff the restaurants, gas stations and other needed services which can't nearly compete with oil field paychecks.

Tackling those issues has been a 15-month effort for the Eagle Ford Consortium, a group of industry, city, county, housing staffs, business owners and other stakeholders who meet monthly.

"We're no longer divided by county boundaries," said Consortium Chairman Leodoro Martinez. "This shale is one big region now."

The group gathered in San Antonio for its first conference last week to network, brainstorm and hear examples from parts of the country that were in their predicament a few years ago.

The consensus was that sustaining the boom will take partnership and innovation decades ahead about their communities' futures.

### CATCHING UP

Eagle Ford is enhancing the quality of life in many South Texas towns. Some are

getting business they've never had and people are getting royalty checks for amounts they've never seen.

But there are trade-offs with rapid growth.

No one is complaining about the windfall in tax revenue. Sales taxes have helped turn things around in Cotulla, a city of 3,500 and the La Salle County seat, interim City Manager Larry Dovalina said.

Property tax collections are a city's more stable money source, but it can take up to a year from development to see an increase, Dovalina said. Sales tax is just a bonus.

"You can't plan for your financial future based on a bonus," Dovalina said.

Ballooning property values are a good short-term sign for tax revenue, but it could spell trouble for future city and county budgets because of effective tax rates.

In setting budgets, the effective tax rate is the rate that brings in the same amount of revenue as the previous year.

As values increase, the effective rate drops. The extra \$281 million in value added in DeWitt County lowered the effective rate by 15 cents to 50 cents per \$100 valuation, County Judge Daryl Fowler said.

In Dimmit County — one of the state's poorest with one of the highest county tax rates before Eagle Ford — the rate plunged from 68 cents to 41 cents, County Judge Francisco Ponce said.

If production activity leaves, raising those rates to keep up with expenses puts them in jeopardy of passing the state's 8 percent ceiling on tax hikes before residents can petition to vote down the increase, the judges said.

There is the housing crunch, with some local governments having to dust off subdivision ordinances for the first time in a while as builders descend on the region.

To Sandy Hurwitz, a Uvalde land owner, urban renewal seems to be absent from the discussion.

Hurwitz pointed to many small South and Southwest Texas communities where existing properties have fallen in disrepair and either could be upgraded or cleared for space instead of building apartments and hotels that will go vacant once workers leave.

"There's capacity there," Hurwitz said. "No one's connecting the dots here."

## SOLUTIONS

Other oil and gas boom regions in the United States that developed years ahead of Eagle Ford faced the same dilemmas.

Small towns in western North Dakota had been through 60 years of booms and busts

Eagle Ford Shale communities work toward sustainable futures amid booming oil, gas production : Cor...  
when the Bakken Shale discovery struck last decade, said Michael Anderson, executive director of the North Dakota Housing Finance Agency.

"Even though a lot of communities had been there before, they really weren't ready to deal with this," Anderson said, adding there was uncertainty how long the boom would last.

In 2010, state agencies visited oil areas to tally up needs and timetables for population growth. An estimate was an extra 36,000 people and 18,000 extra households.

The answer for housing was the North Dakota Housing Incentive Fund, which Anderson called an unconventional solution to what were going to be unconventional times.

Created in 2011, the program is funded by taxpayers to build affordable multifamily housing. Taxpayers choose to contribute money and get a dollar-for-dollar credit against what they owe for state income or financial institution taxes.

The fund can issue up to \$15 million in tax credits. To date, the young account has more than \$6.3 million, according to the housing agency's website.

Contributors can request their money go to certain projects or communities.

Taxpayers know exactly where their money is going, Anderson said.

There was a change in how the city of Gillette, Wyo., developed itself, consultant and former city engineer Mike Coleman said.

When a second coal bed methane gas boom took off there in the late 1990s, the city's stagnant population growth began to pick up the pace, gaining 11,000 people between 2000 and 2009, city development records show.

A big lesson from the 1980s boom was traffic. At that time, additional roads were built to handle extra vehicles, which left the city with extra upkeep as the city sprawled, Coleman said.

Coleman said the city focused its growth on filling in the areas that had been skipped once highway corridors spread homes and businesses away from the city.

## PATHWAYS

Industry projections suggest an end to the Eagle Ford boom is a long way off.

Tax revenue, royalties and other benefits are gushing out with the oil and gas, but now is the time to think about what comes next for those communities, said Luis Cifuentes, associate vice president for research and scholarly activity for Texas A&M University-Corpus Christi.

"Sustainability is using those resources in such a way that you hand to your children

and your grandchildren the opportunity to also be economically successful down the road," said Cifuentes, who leads a National Science Foundation research network of eight schools and a research institute studying the topic.

Examples could be looking at ways to take advantage of other energy resources — including wind in South Texas — or other industries that can pick up when the boom ends in an area.

Oil booms are nothing new to the region, but a constant theme Cifuentes said he heard at this past week's conference was "Let's do it right this time."

Handling the side effects of the boom should include long-term plans for municipal projects or other opportunities such as rediscovering historical or architectural gems that could become tools for economic development, said Thomas Tunstall, director of the Center for Community and Business Research at the University of Texas at San Antonio.

Fiscal discipline with the revenue windfalls they find themselves taking in is a must, Tunstall said.

The Internet has made it possible for colleges and universities to be present in any community with online access. Extending a school's reach is an example of the type of collective effort to invest in the region's future, Cifuentes said.

A sustainable future needs local governments, economic groups, legislative support and academic study.

Eagle Ford oil won't just be used in Three Rivers and Cuero but nationwide, Cifuentes said.

"I would hate for these folks to feel like because they're getting jobs and they're improving their economic situation that they're the ones responsible for the sustainability effort," Cifuentes said.

Eagle Ford could hold a future promise of curing the decline of small communities.

"Now, if there is a promise of really good jobs all over South Texas for the next 20 years, if you send your kids to College Station or Corpus Christi to get an education they can come back and get a good job," Cifuentes said.

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## EAGLE FORD NUMBERS

Population: Latest figures show about 900,000 people live in the 24-county drilling area atop the Eagle Ford Shale formation.

Jobs: Production is predicted to support 68,000 jobs by 2020.

Money: Bank deposits across the region increased from about



\$14 billion in 2008 to

\$16 billion in 2011.

Source: Center for Community and Business Research, University of Texas at San Antonio



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## School in Eagle Ford Shale swells with newcomers

By Jessica Kwong

Updated 11:35 p.m., Saturday, March 3, 2012

TILDEN — Every weekday morning, the rumble of buses dropping off students at McMullen County's only public school gets drowned out by the heavy trucks whizzing by on Texas 16.

Tilden is a small town, and with 235 students in pre-K through 12th grades, the school is small, too — even after enrollment jumped 42 percent in a year and a half.

Outside, students can see the reason: drilling rigs in the distance. At recess, they run, slide and swing at a new playground built with corporate donations, a list brimming with names including Petrohawk Energy, Chesapeake Energy, Rush Truck Centers.

.I don't know any of these kids, just the ones that are kinfolk,” said Arthur Villareal, 59, finishing breakfast with his son and grandson before a recent morning assembly. “A lot of them are new people that moved in.”

When he graduated in 1971, his senior class of 13 was the largest in the school's history. His son's class numbered 24. His grandson's will be bigger.

“Our town is booming,” chimed fourth-grader Cotton Harris, 10, smiling at the passing trucks. “You just hear them roar by.”

The pursuit of oil and gas in the Eagle Ford Shale has picked up the pace in dozens of formerly quiet rural communities in a wide arc around San Antonio. But nowhere is the impact on schools greater than here, in one of the least-populated school districts in its path.

“That one that came in — it will have to be a bigger bus next year,” McMullen County Independent School District Superintendent Dave Underwood, 36, said over the noise. “Because it's full.”

The district added a school bus last fall, bringing the total to seven. Some students take hourlong rides from other counties, like 10th-grader Sarah White, 16, whose father transferred her to the 1A district from the much larger Pleasanton ISD in Atascosa County last fall. She gets on a bus at 6:30 a.m..

“In a small town, everyone wants to be friends with everyone,” she said. “I'm also still getting used to more agriculture activities here. We just had a tractor race in the cafeteria. It was kind of strange, but interesting. I've never seen anything like it.”

Most superintendents of the 22 school districts in the Eagle Ford counties closest to San Antonio point

to a lack of housing as the reason their enrollments have grown only slightly, if at all.

An exception is the Frio County community of Dilley, where the school district saw a 7 percent enrollment increase in one year, to 992 students. City Administrator Melissa Gonzalez said contractors have made recent inquiries about building single-family homes.

But there's a housing crunch in Tilden, too. A key reason more energy industry workers are enrolling their children here is proudly displayed on the school's marquee: "EXEMPLARY SCHOOL DISTRICT," the Texas Education Agency's highest rating.

Behind the school, McMullen ISD has built nine "teacheridges" over the years, employee cottages with as many as three bedrooms, including two added since 2010. It leases some to students' families, and John Ray, 51, a pipeline inspector for Hatch Mott MacDonald, is one of the fortunate few.

After five months of house hunting, he was able to move his wife and third-grade daughter from West Monroe, La., into a teacheridge and thinks \$600 a month is a good deal.

"It was just hard to find a place, but I didn't want to live in a trailer for the next couple of years," Ray said. "If there was more housing here it would probably be filled up as fast as they could build (it). But when this little boom is over, it'll be a ghost town here."

Others in Tilden share his assumption that busts inevitably follow drilling booms, but a University of Texas at San Antonio study estimates the Eagle Ford play will drive regional employment — and higher demand for housing and schools — through 2025.

Just 50 more students would max out the Tilden school's capacity, Underwood said. There are no immediate plans for new classrooms, but the board has asked voters to approve almost \$12 million in bond debt on May 12 to address growth and safety issues, including connecting the school's two buildings with an enclosed walkway so it can use a single entrance.

The drop-off point for school buses will be moved behind the school, away from traffic, operations manager Dale Patterson said.

Highway fatalities have increased with the traffic. McMullen County had only one in 2009, but there were four in 2010 and three in 2011. Driver fatigue has been the main factor, Department of Public Safety Trooper Clint Walker said.

Periodic sweeps with 22 extra state troopers are targeting commercial vehicle violations in counties affected by the drilling boom "to minimize tragic events happening," said DPS Cpl. Charlie Ramirez, who oversees patrols in McMullen, Live Oak and Bee counties.

"No traffic accidents with students yet. We've been very fortunate, " Underwood said, crossing his fingers and knocking on a wood classroom door.

The traffic is "crazy," said Oralia Hasette, 76, a janitor who has worked at the school for two decades.

"There's a lot of people in town now," she said, adding, "I like it. At least you can sit down and see

cars and trucks passing through.”

Even counting a couple of new restaurants, Tilden has only half a dozen businesses. The older ones have evolved with the times, like Max's Cafe and Grocery, which offers eight motel rooms and a gift shop.

“Oil drilling is a great thing,” said owner Maximo Quintanilla Jr., 63, who also is a county commissioner. “Overall, it's made ranchers a lot busier.”

“Gotta make the money while you can, because it ain't going to be here long,” interjected lunch patron Josh Wood, 23, who works for Macy's Rentals, which supplies generators to drilling rigs.

“Well, you've got to take the good with the bad,” Quintanilla said, glancing out a window at the trucks on Texas 16. “Eagle Ford is a good problem to have.”

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## Gas drilling task force issues recommendations for Dallas

By RUDOLPH BUSH

Staff Writer

[rbush@dallasnews.com](mailto:rbush@dallasnews.com)

Published: 03 March 2012 09:50 PM

After months of discussion and sometimes contentious debate, a gas drilling task force has issued its recommendations to the city of Dallas for regulating the controversial practice of hydraulic fracturing.

But the fight over if, where and how gas wells can be drilled in Dallas is far from over, with the City Council to stand as the final arbiter of a new ordinance that could happen by summer.

If nothing else, the task force's work did show where the fault lines are in the debate.

And in the end, neither energy company representatives nor a coalition of environmentalists and community activists seemed pleased with the outcome.

"The task force came up with a recommendation that amounts to a moratorium, just like [Southlake](#) and [Flower Mound](#) did," said Dallas Cothrum, a zoning consultant who represents energy companies seeking to drill in the city.

The companies Cothrum represents hold leases on thousands of acres along the city's western edge.

Jim Schermbeck of the environmental group Downwinders at Risk concluded that the task force came down on the driller's side on the most important issue:

"We were hopeful they would get out in front of [concerns about drilling], and they just haven't," he said.

Hydraulic fracturing — better known as fracking — has become one of the country's most divisive issues. Questions about its impact on water, air and earthquakes abound.

But the task force wasn't set up to draw conclusions about those larger issues.

"The goal was not to determine whether or not there would be drilling in Dallas. Our mission was to determine how," said task force chairwoman Lois Fink.

### Property setbacks

Probably the most important issue before the task force was how far drilling sites should be from homes, businesses, schools and churches.

The task force voted 8-2 for a 1,000-foot setback from the edge of a drilling pad site to the property line of homes, churches, schools and other institutions, and 1,000 feet from retail structures. But it also agreed that the council should be able to grant a 500-foot setback if a supermajority — 12 of 15 council members — support it.

Under the current ordinance, a 300-foot setback is required.

Other important questions included drilling on city-owned park land and the amount of water used for fracking. There were also concerns about noise and pollution.

The task force relied heavily on regulations passed in other cities, including [Fort Worth](#), [Flower Mound](#), [Southlake](#) and [Grand Prairie](#).

There is little question the new regulations recommended by the task force represent more thorough governance of gas drilling than the city currently has on the books.

But whether the proposed changes go far enough or too far will be sure to stir debate among council members, just as it did among task force members.

Cherelle Blazer, a Yale-educated scientist with You Can't Live in the Woods, a nonprofit environmental group, represented environmentalists on the task force.

She believes the task force fell short on setbacks, noise and other issues.



"I think the process got politicized. We did fall prey to industry lobbying, and it's really too bad," she said.

But other members said the task force's work was productive and fair.

"In total, it turned out to be a pretty good product," said Bruce Bullock, director of the Maguire Energy Institute at [Southern Methodist University](#).

"The areas that were most contentious were the setback areas. Once everybody gets a chance to reflect upon it, it's a fairly constructive recommendation sense that it's flexible through the [specific-use permit] process," he said.

Cothrum said the setback recommendation will make it all but impossible to drill in Dallas.

He predicted a company would need a 300-acre site to be able to satisfy the requirements.

David Biegler, chief executive of Southcross Energy and a task force member who often spoke up for industry concerns, said he thought the recommendation represent a compromise "that balances the interests of all the parties to the extent possible."

"On balance, almost all of the regulations would enable drilling to go forward. What it's going to require is the determination of whether people are able to locations within the more restrictive spacing requirement," he said.

### Using city parkland

An issue that most worried those concerned about the negative impacts of drilling involved the task force's recommendation that city parkland be opened production under certain circumstances.

That was unacceptable, Schembeck said.

"The idea of drilling in parks, it's crazy," he said.

Dallas Park Board president Joan Walne was among task force members who voted in favor of opening some unused parkland to drilling.

Walne said she never advocated drilling in parks, and the task force recommendation prohibits gas operation on parkland currently in use as a park or playground.

"There is potentially unusable land for parks that the parks department owns," Walne said, citing an industrial area near L.B. Houston Park.

If that land could produce revenue for the city's parks safely, she would favor it, she said.

The council will certainly debate that issue and others.

### Issues left unsettled

Another issue expected to cause a stir is the enormous amount of water that fracking operations consume. That issue was not really addressed by the task force beyond a statement that the city water department should consider it when reviewing its drought plan.

Other technical issues also remain.

The task force did recommend stronger control of noise and light pollution at drill sites. And the disposal of waste water and other refuse from fracking still unsettled.

Finkleman said she thinks the most important recommendation was a call for the council to educate itself on the latest studies on fracking.

Regulating fracking "is going to be a moving target for a number of years. The council needs to stay apprised of the information in the field and be willing to adapt," she said.

| Current Existing rules and new recommendations   |   |
|--|---|
| Current ordinance  | Recommended change  |
| Gas wells must be 300 feet from residences, churches, schools and other community buildings. | Drilling and production operations must be 1,000 feet from residences, churches, schools and other community buildings. Setbacks of 500 feet are spacing permitted by supermajority vote of the City Council. |
| Drilling is permitted in residential and nonresidential zoning districts.                    | Drilling is permitted in residential and nonresidential zoning districts.   |

|   |   |
|---|---|
| Drilling is permitted in floodplains with the approval of the city and the U.S. <a href="#">Army Corps of Engineers</a> . | Drilling is permitted on park department land if it is not currently used for a park, is adjacent to an industrial area and is not in an environmentally sensitive area.  |
| Water conservation — no restriction   | Water conservation — no restriction but water utility urged to consider water use by drilling operations in drought plan.   |
| The operator must ensure that groundwater is not contaminated by drilling, production and related activity.               | The operator must ensure that groundwater is not contaminated by drilling, production and related activity; pay for water monitoring and must test for chemical compounds connected to drilling.  |
| Soil sampling — not regulated   | The operator must test soil before, during and after drilling and comply with remediation laws.   |
| Noise — no drilling noise above 78 decibels; no fracking noise above 85 decibels.   | Fracking may not exceed 10 decibels above ambient noise. during fracking operations, and Other operations must not be no more than 5 decibels above ambient noise during the in daytime and 3 decibels above it at nighttime during other operations. |

## THE BEST WAY TO TRACK CONGRESS

**4. CLIMATE:****New TV ads will focus on childhood asthma in bid to protect carbon rules**

Jean Chemnick, E&E reporter

Published: Wednesday, March 7, 2012

Environmentalists will link carbon emissions to asthma in a television ad campaign that begins today.

The Sierra Club and Natural Resources Defense Council are sponsoring the ad featuring elementary-school children wandering the halls of Congress with inhalers and wearing oxygen masks to meetings with lawmakers.

"If every polluter's lobbyist around Congress was suddenly replaced by severely asthmatic children, then maybe Congress wouldn't always be trying to gut clean air standards," a narrator says at the start of the spot.

It concludes: "If they could see it, maybe they'd stop it."

The ad will air for a week in Virginia, Ohio and Pennsylvania -- swing states in this year's election -- and in Washington, D.C.

The ad buy is timed to coincide with U.S. EPA's release of its first New Source Performance Standards for greenhouse gas emissions. The proposed rule for new power plants has been under review at the White House Office of Management and Budget for four months.

Republicans and some Democrats in Congress have targeted nearly all new EPA air quality regulations for delay or rollback, but the greenhouse gas rules have been especially controversial because so many Republicans deny that human emissions are causing warming.

The ad does not mention "climate change" or "global warming," and the word "carbon" appears with "mercury" and "arsenic" as a contributor to hospital visits and asthma attacks.

Kim Knowlton, a senior scientist with NRDC, said the ad was intended to show the health benefits of addressing climate change, noting that warmer temperatures contribute to ground-level ozone, a component of smog.

"It's definitely a story with a human face in this ad," Knowlton said, adding that supporting documents connect the dots between climate change and health effects.

Knowlton said the health message was not necessarily chosen to appeal to a broader audience in swing states but would have been the same no matter where it ran.

"I think it's really important that the health message come forward to the public overall," she said. All states, she added, will see health benefits from Clean Air Act rules.

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## Daily Environment Report™

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43 DEN A-4

### Air Poll. tion

### Oklahoma Sues Over Power Plant Controls, EPA's Disapproval of Regional Haze Plan

B. Nancy J. Moore

AUSTIN, Texas—Oklahoma has filed a challenge to the Environmental Protection Agency decision that best available retrofit technology is needed to control sulfur dioxide at six power plants and EPA's disapproval of the state's regional haze plan (Oklahoma v. EPA, 10th Cir., No. 12-9526, 2/24/12).

In a petition for review filed Feb. 24 in the U.S. Court of Appeals for the Tenth Circuit, the state challenged EPA's final administrative decision Dec. 28, 2011, on the state implementation plan to control regional haze (76 Fed. Reg. 81,728).

In its final action, EPA found that Oklahoma's plan to control sulfur dioxide at six facilities in Oklahoma did not meet the standards for requiring best available retrofit technology (BART). Specifically, EPA found Oklahoma had overestimated the cost of retrofitting the facilities to control sulfur dioxide and therefore did not require BART at the facilities.

The six facilities, all coal-fired generating plants, are Oklahoma Gas & Electric Co.'s Sooner Units 1 and 2 and Muskogee Units 3 and 4, and the Public Service Co. of Oklahoma's Northeastern Units 3 and 4. EPA said its estimate of the BART costs were 50 percent to 75 percent lower than Oklahoma's estimate.

#### Companies Also Sue

Both companies also sued EPA on Feb. 24 over the agency's decision (Oklahoma Gas & Electric Co. v. EPA, 10th Cir., No. 12-9527, 2/24/12; (Public Service Co. of Oklahoma v. EPA, 10th Cir., No. 12-9525, 2/24/12).

EPA's disapproval of the state's long-term regional haze plan was a result of the sulfur dioxide emissions issues at the six power plants.

The federal agency was required to rule on Oklahoma's regional haze SIP under a consent agreement in a lawsuit by environmental groups (218 DEN A-10, 11/10/11).

In recent testimony before Congress, an official with Oklahoma Gas & Electric said EPA's rulings would require the company to choose between employing expensive scrubber technology or immediately closing coal-fired plants and moving to natural gas—both expensive alternatives (32 DEN A-13, 2/17/12).

Oklahoma is represented by Attorney General Scott Pruitt (R) and other attorneys from his office, along with Michael Graves and Thomas P. Schroedter of Hall Estill in Tulsa, Okla.

Oklahoma Gas & Electric is represented by Thomas Fennell and other attorneys from Jones Day's Dallas, Houston, and Chicago offices.

The Public Service Co. is represented by John Brightmire and other attorneys from Doerner, Saunders, Daniel & Anderson in Tulsa.

### BN A Snapshot

Oklahoma v. EPA, 10th Cir., No. 12-9526, 2/24/12

**Ke. Development:** Oklahoma challenges EPA's decision that best available retrofit technology is necessary to control sulfur dioxide emissions from six power plants and its disapproval of the state's regional haze plan.

**Potential Impact:** A ruling in Oklahoma's favor could limit EPA's ability to regulate best available retrofit technology and interstate pollution.

### For More Information

The court filing by Oklahoma in State v. EPA and the EPA determination on the regional haze SIP are available at <http://op.bna.com/env.nsf/r?Open=jsml-8rzw5q>.



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## Court denies PNM request

An effort to hold off enforcement of new pollution control measures at a PNM co-owned electric generation plant fueled by coal was denied by the U.S. Court of Appeals in Denver last week.

The utility, which serves a large area of New Mexico, including Ruidoso and Ruidoso Downs, had warned last year that the U.S. Environmental Protection Agency requirement at the San Juan Generating Station in northwestern New Mexico would translate into higher electric bills. PNM, as well as the New Mexico Environment Department and Gov. Susana Martinez, had sought a stay of the requirements while the rule itself is challenged.

PNM and the other parties contend the EPA's mandate would cost New Mexico electric ratepayers and others about \$750 million or more. An alternative plan, pressed by the utility and some state officials, would cost an estimated \$77 million and has been touted as meeting the same federal air visibility rule. PNM Resources president and CEO Pat Vincent-Collawn had previously stated that the San Juan plant meets all federal ambient air quality standards. The stay on the visibility requirement was sought while the court looks at the standard.

"We remain committed to resolving the issue and, ultimately, to installing the most cost-effective, new visibility controls on the San Juan power plant," Vincent-Collawn said. "In the meantime, we have a strong case to make that the EPA violated the Clean Air Act and its own regulations in determining the best available retrofit technology for the plant."

The EPA requirement commands selective catalytic reduction technology while the less expensive proposal, selective non-catalytic reduction, has been recommended by PNM, the state Environment Department and the governor's office. Vincent-Collawn said last week's decision now increases a focus on convincing the EPA that the less expensive approach is the prudent choice.

The EPA's five-year compliance deadline for the San Juan plant requires PNM to begin planning and installing the selective catalytic reduction technology. In late January, PNM issued a request for proposals design and construction of the more extensive technology. The utility estimates about \$246 million of the potential selective catalytic reduction project cost will be spent through 2013, a timeframe in which the issue could still be pending in court. The state has approved a plan to achieve the federal visibility rules by installing the selective non-catalytic reduction technology.

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March 7, 2012



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Flip over your couch cushion or desk chair and chances are, you'll see the same tag that is affixed to the bottom of many others: "This article meets the flammability requirements of California Bureau of Home Furnishings Technical Bulletin 117."

The black-and-white notice also adorns an array of children's products, including car seats, strollers and baby changing mats. It might as well be a red flag, according to many health experts who caution that the added [chemicals likely pose a greater health risk](#) than any flames they might fend off. Common flame retardants have been linked with learning disorders, reduced fertility and cancer, they say, and non-chemical alternatives do exist.

"Protecting children from fire doesn't require exposing them to toxic chemicals," said Ivy Sager-Rosenthal, campaign director for the nonprofit [Washington Toxics Coalition](#).

But convincing legislators and the public of this point remains difficult, she added. A key obstacle to policy change is the [millions of dollars that the chemical industry invests](#) to promote the use of flame retardants.

Washington state's [Toxic-Free Kids Act](#), which [was returned to committee by the House of Representatives on Saturday](#), would be the first legislation in the country to ban the fire retardant chemical known as chlorinated Tris from children's products. The chemical was actually barred from [children's pajamas](#) in the 1970s due to toxicity concerns. Last year, the California Environmental Protection Agency [declared it a carcinogen](#).

Toxic flame retardants were found in [80 percent of baby and children's products](#) tested in a recent study. The most common: chlorinated Tris.

Of course, the chemical is on just one branch of an aging family tree. When Congress banned polychlorinated biphenyls (PCBs) in the 1970s, the industry began employing an alternate flame retardant called polybrominated diphenyl ether (PBDE). When PBDE was discovered to be just as harmful, the industry looked again for swappable chemical cousins, including chlorinated Tris.



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"We will continue to oppose efforts by state legislatures that would remove fire protection options unnecessarily. The bill in Washington is one such bill. [Chlorinated Tris] was evaluated by the European Union, which found the chemical does not raise concerns for human health," said Jackson Morrill, director of the [North American Flame Retardant Alliance](#), an arm of the American Chemistry Council, a lobbying group for the plastics industry.

"Given that fires remain a significant threat, particularly to young children and the elderly, it is in the best interest of public safety to make sure that [chlorinated Tris] remains a tool in the fire safety toolkit," Morrill told The Huffington Post.

Washington State Senator Sharon Nelson (D-Maury Island), co-sponsor of the Toxic-Free Kids Act, noted that her bill will probably be revisited in a special session. The proposed legislation also addresses a less widely used flame retardant, TCEP, which is already [banned in New York State](#).

"Chlorinated Tris is the most important, and the chemical industry got it out of the bill in Ways and Means. It's back in now - excellent news for our children," said Sen. Nelson, who has two grown daughters. "I look back on what they could have been exposed to, and I'm concerned."

The state's ban would go into effect in 2013 but could be delayed, should the industry agree to assessments to ensure any replacement chemical is safe, instead of substituting yet another chemical that might later prove equally as toxic.

As Sager-Rosenthal put it: "We're on a toxic treadmill and can't seem to get off it."

This is exactly why Arlene Blum, executive director of the [Green Science Policy Institute](#), an environmental health watchdog and research group, suggests that chemical bans aren't enough. "There are so many chemicals. If we ban one, there's always another," said Blum, whose findings in the 1970s led to the ban on use of flame retardants in children's pajamas.

She also pointed to research that suggests that the [fire safety benefit](#) of these chemicals is minimal.

Last month in California a bill was introduced -- also [strongly opposed by the chemical industry](#) -- that would [revisit the decades-old fire safety policy](#), 'Technical Bulletin 117,' to change the criteria for testing flame resistance and allow manufacturers to meet the requirement without added chemicals. California is currently the only jurisdiction in the world that requires furniture and children's products to withstand a 12-second open flame, but as a consequence of its requirement, products in all 50 states are permeated by the toxic chemicals.

The proposed smoldering test would more closely resemble one of the most common sources of house fires -- a burning cigarette -- and would be required for fabrics rather than foam filling currently tested by open flame. Most furniture would already meet this new standard, noted Blum, and many of the rest could simply switch to less flammable fabrics. A crib mattress, for example, could be covered by a [cotton cloth](#).

Sager-Rosenthal suggests that other factors are still more important in preventing fires, such as not smoking in bed and the use of smoke detectors.

The challenges to parents are vast and complicated. "Products aren't required to be labeled as containing these chemicals," said Sager-Rosenthal. "Parents almost have to be scientists to determine if the chemical is contained."

Meanwhile, parents must also worry about chemicals long-since banned. According to Linda Birnbaum, director of the National Institute of Environmental Health Sciences, about 70 percent of PCBs remain in the environment. Researchers estimate similar numbers for PBDEs.

Birnbaum explained that flame retardants are generally mixed into the plastic or foam of a product. "There is no chemical bonding," she said. "So they can easily escape into [the air and the dust](#)."

"This is of great concern for children," added Birnbaum, "as it ends up on hands and ends up in mouths."

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## THE POLITICS AND BUSINESS OF CLIMATE CHANGE

**5. SCIENCE:****NOAA sees 'direct connection' between climate data and better weather warnings**

Lauren Morello, E&E reporter

Published: Wednesday, March 7, 2012

The head of the National Oceanic and Atmospheric Administration headed to Capitol Hill yesterday to defend a budget plan that appears to please no one.

The White House is seeking \$5.1 billion for NOAA in fiscal 2013, 3 percent above current spending. The request would balance growing costs for NOAA's satellite programs by cutting funds for weather, oceans, fisheries and research programs, a move that has drawn ire from an agency employees' union, environmental groups and lawmakers alike.

NOAA Administrator Jane Lubchenco defended the plan yesterday, arguing that her agency's "tough choices" were made with public safety in mind.

"One of the greatest challenges facing NOAA is the continuity of our satellite operations," she told the House Fisheries, Wildlife, Oceans and Insular Affairs Subcommittee. "Sustained funding for these satellites is essential."

More than 90 percent of the data that NOAA uses in its weather forecasting models comes from satellites, she said.

But the panel's chairman, Louisiana Republican John Fleming, didn't seem convinced. He repeatedly asked Lubchenco whether the White House plan for NOAA was "responsible."

"Something that sticks out like a sore thumb is the [National Environmental Data, Information and Satellites] account that's increased since 2008 by 114 percent," he said. "And that appears to be the largest item in the budget, and of course that's the satellites."

That line of questioning drew a terse defense from the NOAA chief.

"Mr. Chairman, do you not want adequate warnings and forecasts down the road?" Lubchenco said. "That's the choice."

The 2013 White House request includes \$2 billion for NOAA's satellite division, an 8.7 percent increase from the 2012 level.

The agency has struggled in recent years to cover the rising costs of its Joint Polar Satellite System, which will provide weather and climate data that are not available from any other source.

**Gap in future weather data a near certainty**

Congress slashed JPSS's funding in fiscal 2011, awarding NOAA \$382 million of the \$910 million it sought. That shortfall hampered production of the program's first orbiter, delaying its launch and making a future gap in crucial weather and climate data a near certainty, according to both NOAA and the Government Accountability Office.

After an intense lobbying push last year, NOAA convinced lawmakers to hand over \$924 million of the \$1.07 billion it sought for JPSS.

That is enough to stabilize the program if Congress agrees to provide the agency its full \$916 million request this year and repeats the feat in fiscal 2014, Lubchenco said.

"The data suggests we have turned this around and we are on track," she said. "I think that these satellites are too important to not be on the path to success, and we are committed to that end."

Lubchenco also defended the White House's plan to increase NOAA spending on climate research to \$212 million next year, a jump of \$29 million over fiscal 2012 spending but roughly in line with 2010 and 2011 expenditures.

"Why not take it from climate research?" House Energy and Environment Subcommittee Chairman Andy Harris (R-

Md.) said of the agency's stated need for more satellite money. "Why take it from the Weather Service?"

Lubchenco drew a connection between the administration's budget proposal and the severe weather that has dogged the United States over the last year, which saw a record-setting 14 natural disasters that caused \$1 billion -- or more -- each in damages.

"There is a direct connection between our better understanding of how the climate system works and our ability to delegate information and help communities and business prepare weeks and months ahead, not just years ahead," she said. "Climate research is designed to help understand how the climate system works."

Lubchenco takes her budget presentation back to the Hill today, where she is scheduled to testify this afternoon before the Senate Oceans, Atmosphere, Fisheries and Coast Guard Subcommittee.

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# BROOKINGS

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CAMPAIGN 2012 PAPERS | NO. 4

## in in climate policy to fiscal and environmental reform

Energy, Energy and Climate, Environment, Environmental Regulation, Taxes

**Ted Gayer**, Co-Director, Economic Studies

The Brookings Institution

MARCH 02, 2012 —

### ntroduction

Both presidential candidates in 2008 campaigned for an economy-wide cap-and-trade program for greenhouse gases as the centerpiece of climate policy. Senator John McCain was an early and frequent supporter of cap-and-trade, co-sponsoring a number of such bills, including the Climate Stewardship Act of 2003 and the Climate Stewardship and Innovation Act of 2007. He campaigned on a plan to enact an economy-wide cap-and-trade system to reduce U.S. carbon emissions by 60 percent below 1990 levels by 2050. As a senator, Barack Obama never sponsored any climate bills, but he campaigned on a plan to enact an economy-wide cap-and-trade system to reduce U.S. carbon emissions by 80 percent below 1990 levels by 2050.

Despite this apparent bipartisan support, the past three years has seen cap-and-trade legislation fail to make it through the Senate, and has now seen the politics of climate change transformed to the point where a politician's stated support of cap-and-trade is commonly viewed as a political liability. According to polling jointly organized by the Yale Project on Climate Change Communication and the George Mason University Center for Climate Change Communication in November 2011, only 12 percent of Americans believe "global warming should be a very high priority for the president and Congress," down from 21 percent in November 2008. Those who think it should be a low priority jumped from 17 to 30 percent during that same period.

While in 2008 the president said that "combating global warming will be a top priority of my presidency" and "putting a price on carbon is the most important step we can take to reduce emissions," a search of President Obama's 2012 campaign website finds no mention of cap-and-trade. There is also no mention on the website of "climate change," "greenhouse gas," or "global warming." The website of the leading Republican candidate, Mitt Romney, also makes no mention of climate policy; indeed, the only oblique references concern

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Romney's proposals to "eliminate the regulations promulgated in pursuit of the Obama administration's costly and ineffective anti-carbon agenda" and to "amend [the] Clean Air Act to exclude carbon dioxide from its purview."

Given this turn of events, a comprehensive climate policy faces long odds in the next administration. A possible path forward for the next president that could have political (as well as economic) appeal is to:

- Focus on the policy that gives us the most bang for the buck, which is to place a price on greenhouse gas emissions. Inflexible regulatory mandates, and government attempts to target subsidies through such things as loan guarantees, won't work.
- Couple climate policy to fiscal reform, by using the revenues from a carbon tax to fund either deficit reduction or a reduction in economically harmful marginal tax rates.
- Couple climate policy with comprehensive environmental reform, by eliminating, reducing or amending existing costly regulations that could be made largely redundant with a carbon tax in place.

## The economics and politics of climate policy, and the Obama and Republican positions

On June 26, 2009, the House of Representatives passed the American Clean Energy and Security Act by a vote of 219 to 212, with eight Republicans joining 211 Democrats voting for, and 44 Democrats joining 168 Republicans voting against. The Senate failed to vote on a comprehensive climate bill. The last major bill, proposed by Senators John Kerry and Joseph Lieberman, was dropped from the Senate calendar in July 2010, after it became clear it would not have enough votes to pass.

The bill that passed the House of Representatives suffered from two key economic (if not political) failings. The first is that it was made unnecessarily complex by including a number of mandates. These included energy efficiency requirements for such things as vehicles and outdoor lighting. It also included a renewable electricity mandate, which would have required electric utilities to substitute renewable energy (such as wind, solar or geothermal energy) for energy-derived fossil fuels. Given that the bill also included an economy-wide cap-and-trade program, these mandates would have only added to the overall cost of the bill without accruing any climate benefits. The attractiveness of an economy-wide cap-and-trade program is that it allows the market the flexibility to find the cheapest sources of pollution reduction in order to meet the capped level of emissions. Cap-and-trade (or a pollution tax) is effective because it raises the cost of activities that emit greenhouse gases, and thus provides market incentives to conserve, to develop and use cleaner fuels, and to innovate cleaner technologies. It was a landmark achievement that the House bill included an economy-wide cap-and-trade program for greenhouse gases. But the additional mandates in the bill would have prescribed where and how these reductions must occur, without affecting the overall level of pollution under the cap. Any reductions achieved through such mandates would be offset by fewer reductions in other sectors, resulting in no net reduction in emissions. The result would likely have raised the cost of the bill with no environmental gain.

The second policy shortcoming of the bill was that it ignored the economic case for using the revenue from the sale of the cap-and-trade allowances to offset existing economically harmful taxes or to reduce the deficit. Using climate revenues from cap-and-trade (or a carbon tax) to reduce economically inefficient taxes or the deficit would result in a substantial decrease in the overall cost of the program. Nonetheless, the bill that passed the House of

Representatives called for about 60 percent of the total allowances to be given away over the life of the program. The remaining 40 percent would have been auctioned by the government, but the auction revenue for the most part was not to be used for tax or deficit reduction. The bulk of the value would have gone to such things as subsidizing electric utilities, helping trade-exposed industries and transfers to low-income consumers.

Given that achieving substantial reductions in greenhouse gas emissions is a costly endeavor, it is unfortunate that Congress made things more costly by including unnecessary mandates and by failing to use the cap-and-trade revenue to lower economically harmful taxes and deficits. Still, these policy failings do not explain the political failure of the bill, since it was the cap-and-trade component of the bill (not the mandates or the lack of revenue recycling) that was disparaged by Republican opponents as “cap-and-tax.”

So why did cap-and-trade stir such forceful political opposition, especially from Republicans who presumably should celebrate the use of market-driven policies to achieve pollution reduction? After all, President George H. W. Bush signed into law a cap-and-trade program that is now widely accepted as an extremely successful effort to lower sulfur dioxide emissions from electric utilities at low cost, and President George W. Bush proposed cap-and-trade programs to substantially reduce sulfur dioxide, nitrogen oxides and mercury from electric utilities.

Perhaps Republican opposition to cap-and-trade for climate policy was in part due to the nature of this particular environmental problem. Deciding how the government should respond to the risk of climate change entails considering the uncertainty of the magnitude of anthropogenic climate change, the need for coordination with other countries' climate policies and the ethics of weighing short-term costs—costs that would be much higher than the existing sulfur dioxide cap or the previous caps proposed for nitrogen oxides and mercury—against the gains in the long term. These factors became more politically challenging over the past three years. In particular, the recession and the continuing weakness in the U.S. labor market have turned political priorities away from environmental causes, and these economic problems now make the expansion of newly available, domestic sources of low-cost fossil fuel a higher priority.

The U.S. unemployment rate, which was only 4.4 percent at the end of 2006, peaked at 10.1 percent in October 2009 and remained extremely high at 9.5 percent in July 2010, which was when the Senate climate bill sponsored by Senators Kerry and Lieberman was dropped from the Senate calendar. Having lost nearly 9 million jobs from the peak, the U.S. economy has since only recovered about 3 million jobs. Assuming that 125,000 people enter the labor market each month, if we were to see 208,000 jobs created per month, which was the average monthly job creation rate for the best year in the 2000s, it would take about 12 years to return to the pre-recession levels. At 321,000 jobs per month, which is the average monthly job creation for the best year in the 1990s, it would take about five years. Given the magnitude of this problem, it is not surprising that there is less public appetite to incur short-term economic costs to mitigate a long-term environmental problem.

A recent positive economic development in the U.S. has been the innovations in horizontal drilling and hydraulic fracturing technologies. These technological innovations have rapidly changed the amount of natural gas that is recoverable from shale rock and the cost at which it can be recovered. The Energy Information Administration (EIA) estimates that U.S. shale gas production grew at an annual rate of 48 percent over the 2006 to 2010 period, and that total annual oil production is expected to more than double by 2035. And the innovation of horizontal drilling is also expected to contribute to an increase in domestic crude oil production, with EIA estimating an increase from 5.36 million barrels per day in 2009 to 5.95 million barrels per day by 2035. The economic rents of domestic oil and natural gas production are especially appealing during this time of low aggregate demand and a weak labor



market.

The economic conditions seem to impact the public's perceptions of the science. Polls conducted by the Pew Research Center indicate that, in November 2011, 28 percent of Americans thought there was no "solid evidence that the average temperature on earth has been getting warmer over the past few decades," up from 21 percent in April 2008. Of the people who think that the average temperature is increasing, the fraction who thinks it is "because of human activity" decreased from 66 percent to 61 percent. While this increased skepticism likely reflects, in part, the shift in economic priorities, the credibility of climate scientists was not helped by emails leaked in November 2009 from the servers of the Climatic Research Unit (CRU) at the University of East Anglia. These emails cast doubt on the impartiality and trustworthiness of some leading scientists in the field, which likely contributed in some part to the loss of voter interest in tackling the problem through policy.

The administration's political response to the changing politics of climate policy was, and continues to be, to sell climate policy as an economic opportunity for the nation—as an engine of "green job" creation. Indeed, the "energy and the environment" issues section of the President's 2012 campaign website focuses almost entirely on job creation, including the top three featured points: the President is "investing in clean-energy jobs," has "helped the private sector create 1 million jobs through public investments that jump-started additional private investment," and the "clean energy sector creates the jobs of today and tomorrow."

But the economics of green job creation are dubious. If a worker for a government-subsidized environmental project is hired away from a private job, then there is no net job creation, and indeed, society's opportunity cost is the worker's wage rate in the private sector, as this reflects the value of the lost output that the worker had been producing. In other words, the labor used for the government-financed program represents a cost, not a benefit, of that program. However, if the government-financed project hires someone who is currently unemployed, then there is a net increase in jobs and no decrease in output elsewhere in the economy. The question then is whether the government-financed environmental project is displacing private-sector jobs. Even given our weak labor market, it is unlikely that all, or even much, of the labor used for the government-financed environmental projects is drawn from the unemployed, especially as many such projects will take many years to acquire the necessary permits, undergo competitive contract selection and negotiate the scope of the work. The clean-energy-related funding of the American Recovery and Reinvestment Act stacks up poorly against other forms of fiscal stimulus.

Sadly, the political focus on green job creation—and on avoiding a politically unpopular increase in energy prices—has led us away from the economically sound policy of placing a price on greenhouse gas emissions through a cap-and-trade program or a carbon tax. Instead, policies have been adopted that either mandate or subsidize alternative fuels and technologies. These are much less cost-effective approaches.

Mandates, such as government-prescribed minimum energy efficiency standards for vehicles, appliances, or light bulbs, increase costs and reduce choice for consumers, but these costs are less salient than the higher energy costs associated with other policies. The administration has justified these standards by claiming that the amount that consumers gain in long-term energy savings outweighs the higher initial cost of the more energy-efficient goods, despite the lack of market demand for such goods. This paternalistic approach shifts environmental policy from an emphasis on mitigating the harm that individuals impose on others towards an emphasis on mitigating harm individuals impose on themselves. This results in less effective pollution control because energy-efficiency standards do not promote conservation; indeed, there is some evidence—known as the rebound effect—that people use products more when they become more energy efficient. Energy-efficiency standards also apply only to

new products, which can create incentives to retain older (and thus less energy-efficient) products. The result is a higher cost per amount of pollution reduced compared with market-based environmental regulations.

Whereas cap-and-trade and pollution taxes rely on the market to identify the lowest-cost means of reducing emissions, targeted government subsidies for certain clean energy producers rely on government officials to determine the best environmental use for each tax dollar. Given the diverse and ever-changing number of decisions involved with energy use, the former decentralized approach of raising the market price for pollution-intensive activities is much more cost-effective than the latter centralized approach of government trying to pick promising cleaner energy alternatives.

In addition to the informational problem confronted by the government, there is also the inevitable role that politics plays in deciding the recipients of government subsidies. The most prominent recent case concerned the solar-panel producer Solyndra, where there is now evidence that the White House pressured the Office of Management and Budget to expedite review of the loan guarantee request and where the announcement of layoffs at the company were timed around the election cycle. Similarly, a leaked memo to the President concerning the renewable energy loan guarantee program illustrated the possible problems of such a guarantee for the Shepherds Flat wind farm, including: the total government subsidies for the wind farm exceeded \$1.2 billion, 76 percent of which was from subsidies aside from the loan guarantee ("double dipping"); the sponsor's equity was only about 11 percent of the project costs ("no skin in the game"); and the project likely would have moved forward without the loan guarantee ("non-incremental investment"). Nonetheless, the memo provided the politically relevant (yet economically irrelevant) information that the production of 338 GE wind turbines was to occur in South Carolina and Florida. (The loan guarantee was subsequently approved.)

The economics is clear that the most effective climate policy, and the one that would minimize the cost to the economy, is one that sets an economy-wide, government-prescribed, price on greenhouse gas emissions and that uses the resulting revenues to offset economically harmful taxes or deficits. While the price on emissions can be accomplished through either a cap-and-trade program or through a carbon tax, the latter is preferable. The alternative approach of inflexible government mandates or special-interest subsidies (or tax breaks) for certain technologies won't work.

## Policy recommendations for the next administration

Is a renewed push for climate policy feasible for the next administration? Given the politics of the issue—shaped in large part by the high unemployment rate—the chances are doubtful. Yet, the political infeasibility of putting a price on greenhouse gases may weaken as we confront the political necessity of confronting our growing public debt burden.

A continuation of current government policies will lead to a debt-to-GDP ratio that grows to about 170 percent by 2035, with continued and indefinite growth thereafter. Over the infinite horizon, the fiscal gap is over 9 percent of GDP—meaning that keeping the debt-to-GDP ratio at the current level would require an immediate and permanent increase in taxes or a reduction in spending of this enormous magnitude. While there is an important and open question of how much of this gap to achieve through reduced spending, it is undoubtedly the case that tax revenues will have to increase.

Tax reform should therefore be a priority for the next administration. Our current tax system is economically harmful, complex, unpredictable and often unfair. The economically sensible way to increase tax revenues is

through comprehensive reform that simplifies the tax code and broadens the tax base, rather than increasing the marginal tax rates on labor and saving. This was the approach taken by the National Commission on Fiscal Responsibility and Reform (co-chaired by Alan Simpson and Erskine Bowles) and by the Bipartisan Policy Center's Debt Reduction Task Force (co-chaired by Pete Domenici and Alice Rivlin). The bipartisan nature of these commissions suggests that a path to political compromise is for Democrats to accept lower marginal income tax rates (even levels lower than those enacted during the Bush administration) and for Republicans to accept higher revenues through base-broadening (including an increase in tax rates for capital gains and dividends).

A carbon tax offers an additional means of efficiently raising revenue for deficit reduction, and thus might have political appeal for otherwise reluctant Republicans as a way to help keep marginal tax rates low while affording an increase in net revenue. A carbon tax of similar stringency to the cap-and-trade bill that passed the House in 2009 would raise about \$60 to \$80 billion annually in the early years, rising to about \$100 billion after about 25 years, before dropping again thereafter. This is a substantial amount of tax revenue, but it would only play a small part in closing our fiscal gap. If one focuses on just the 10-year window, annual carbon tax revenue would be on par with our expected revenue from excise taxes, which amounts to about half a percent of GDP annually. This is slightly smaller than the revenue loss due to the mortgage interest deduction. Over the longer-term, which is when we face our most pressing fiscal problems due to rising health care costs and the aging population, we could expect the carbon tax to contribute less to closing our fiscal shortfall, since emission reductions would be likely to outpace increases in the carbon tax.

Another, so far under-explored, opportunity for political compromise involves coupling a carbon tax with broader environmental policy reform. Republicans should embrace market-based environmental policies, as they have in the past, as the best means of improving air quality at minimum economic cost. The traditional approach taken by the Environmental Protection Agency (EPA), as prescribed in most of the environmental laws of the 1970s, attempts to achieve environmental improvements through inflexible and economically costly mandates that set uniform technology standards across firms. By demonizing cap-and-trade in the latest debate, Republicans risk a reversion of environmental policy away from market-based approaches toward these more costly options.

This reversion already has begun, as the 2007 Supreme Court decision in *Massachusetts v. EPA* found that the EPA had the authority to regulate greenhouse gases under the existing Clean Air Act. The EPA's 2009 "endangerment finding" that greenhouse gases threaten public health and the environment has led to new EPA regulations to reduce emissions, and EPA plans further regulations, including for refineries and coal-fired power plants. These inflexible, command-and-control regulations will result in considerably higher economic costs to reduce emission than would a flexible market-based approach.

A sensible response would be for Republicans to instead double-down on market-based environmental policies. Not only can (and should) a carbon tax substitute for the default policy of imposing inflexible greenhouse gas standards throughout the economy, it can also substitute for a broader set of other existing environmental and energy regulations. For example, fuel economy standards and energy efficiency standards are largely redundant given a clear and predictable price on carbon. And greenhouse gas reductions stemming from a carbon tax should result in co-benefit reductions in other conventional pollutants currently regulated by the EPA, thus obviating the need for some existing, costly regulations.

With the unemployment rate forecasted to be at about eight percent by the end of 2012, we are unlikely to soon see a shift in political momentum toward a comprehensive climate policy. But the urgent need for tax reform, and

the political appeal of broader environmental policy reform, could provide an opportunity for the next administration to achieve a sensible, cost-minimizing and effective comprehensive climate policy.

## Climate change made the drought worse, scientists say

By Colin McDonald

Updated 01:14 a.m., Monday, March 5, 2012

Several scientists at NASA and the state climatologist say the record-setting heat and drought of last summer in Texas was made worse by climate change.

More than just providing bragging rights that Texas now holds the record for hottest summer ever recorded in the United States, that conclusion adds another layer of uncertainty for water planners.

James Hansen of the NASA Goddard Institute for Space Studies and Columbia University's Earth Institute titled his still unpublished climate analysis, "Perceptions of Climate Change: The New Climate Dice."

"We conclude that extreme heat waves, such as that in Texas and Oklahoma in 2011 and Moscow in 2010, were 'caused' by global warming, because their likelihood was negligible prior to the recent rapid global warming," he wrote in the paper that is still undergoing peer review. "We can say with a high degree of confidence that these extreme anomalies were a consequence of global warming."

Some water utilities across the state are still struggling to meet demand because of the drought, which set the record for a single year. But many more are not ready for a repeat of the drought of the 1950s, which lasted seven years and is considered the worst long-term one on record. Adding climate change on top of that will make planning more difficult, as high temperatures mean more evaporation and less water going into rivers, reservoirs and aquifers.

"They don't know what to expect year to year," said Tom Gallier, a former manager of the Bexar Metropolitan Water District who has run water utilities across the West. "That is a scary thought for an industry that specializes in thinking 50 or even 100 years out."

The benchmark for water planning in Texas is the 1950s drought. The San Antonio Water System, Edwards Aquifer Authority and the state use those years to model what is considered the worst-case scenario and then plan accordingly.

The problem is that tree-ring studies, including one of post oaks near San Antonio and another of cypress trees across the state, show more severe droughts have occurred. Climate change is introducing the possibility that droughts will be more extreme.

Last summer is held up as evidence that that is already happening by state climatologist John Nielsen-Gammon and Hansen, who is known for his outspokenness about human-caused emissions

becoming the driving force in climate change.

Nielsen-Gammon said he took issue with how Hansen's paper could be interpreted to say that climate change was the only cause of the drought but that there was no doubt that the summer was hotter because of it.

Both scientists agree that the year would have been hot and dry no matter what, but that climate change made it worse.

“In other words, nature made it a record,” Nielson-Gammon wrote after reviewing Hansen's paper. “Climate change made it a phenomenal record.”

Even as the debate over climate change continues, water planners have to deal with the reality that future droughts are likely to be more severe than in the past 50 years.

But they can't do their job based on speculation, said Chuck Ahrens, SAWS' vice president of water resources.

“The gold standard is still the drought of record because that is what we know,” he said.

Ahrens points out San Antonio is uniquely situated between two aquifers and is thus less susceptible to the wilder and more frequent swings of rainfall and temperature that climate change might bring.

The limestone Edwards Aquifer to the north can fill up with just a few good rains, giving the city enough stored water in only a few weeks to last a year.

To help San Antonio make it through multiple dry years, SAWS pumps water into the sand of the Carrizo Aquifer to the south, filling it like an underground reservoir. Neither aquifer loses water to evaporation, like surface reservoirs.

SAWS' water plan shows that it can more than meet demand through 2060 even with a repeat of the drought of record, which is the extent of its planning horizon, according to Darren Thompson, SAWS' manager of water resources.

But other parts of Texas do not have such resources.

Spicewood, outside of Austin, ran out of water because it is dependent on wells drilled into a much less reliable aquifer than the Edwards.

The Lower Colorado River Authority will not provide water to rice farmers in South Texas this year because Lakes Travis and Buchanan are still too low, the first time farmers will be cut off by the LCRA.

Across the Panhandle, reservoirs went dry as increased temperatures accelerated evaporation, and rains have not been enough to refill them.

And that was just from a one-year drought.

The 2012 State Water Plan projects losses of \$11.9 billion if a drought similar to the 1950s were to occur and projects in the plan are not funded. The estimated cost rises to \$115.7 billion annually by 2060, with more than 1 million jobs lost.

So far, the Legislature has not funded the \$53 billion plan, which covers only a quarter of the state's needs over the next 50 years.

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## THE LEADER IN ENERGY &amp; ENVIRONMENTAL POLICY NEWS

**30. LOUISIANA:****Officials expand swamp, preserving largest wetland forest in region**

*Published: Tuesday, March 6, 2012*

The Maurepas Swamp Wildlife Management Area in Louisiana has been expanded by nearly 30,000 acres.

The result is a 103,374-acre public outdoor recreation area, which preserves the largest connected wetland forest tract remaining in the Lower Mississippi River alluvial valley.

The expansion means that about 140,000 acres are now protected within the Maurepas/Pontchartrain Basin. The basin is home to a variety of wildlife, including threatened and endangered species. The wetlands are key for aquatic species that support commercial and recreational fishing.

The trees there also protect nearby populated areas from storm surge.

"Coastal forests such as the Maurepas Swamp are one of the most effective natural barriers to hurricane storm surge," said Coastal Protection and Restoration Authority of Louisiana executive director Jerome Zeringue. "We must protect these assets."

A nonprofit bought the land last year from a private landowner and sold it to the state for \$6.5 million (Mark Schleifstein, [New Orleans Times-Picayune](#), March 5). -- WW

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## THE LEADER IN ENERGY &amp; ENVIRONMENTAL POLICY NEWS

**5. EPA:****Outreach programs face cuts, despite agency's environmental justice focus**

Emily Yehle, E&E reporter

Published: Monday, March 5, 2012

U.S. EPA began educating the public about the dangers of radon more than 20 years ago, after an employee at a nuclear plant came to work with the chemical on his clothes.

The incident kicked off a concerted effort to help low-income households avoid a naturally occurring -- and odorless -- gas that can permeate homes and cause lung cancer. But EPA is now poised to end its part in the effort, due to an ever-shrinking budget.

EPA has proposed cutting its radon funding by more than 80 percent next year, from \$12.1 million to \$2.2 million. That includes zeroing out its State Indoor Radon Grant Program, which helps states and American Indian tribes pay for radon testing in low-income homes and schools.

It is just one of half a dozen environmental education programs that will see significant cuts even as EPA Administrator Lisa Jackson continues to push environmental justice as an agency priority. With Congress demanding tight budgets, the agency is cutting back on everything that isn't court-ordered or integral to its statutory mission.

The fiscal 2013 proposals have disappointed environmental justice advocates who say federal funding is key to ensuring low-income and minority communities aren't disproportionately affected by environmental hazards. But they also say that EPA isn't to blame when Congress and the White House are pushing for agencies to cut back.

"It does make their mission very difficult, and I wish Congress would recognize the important mission that they have," said Leslie Fields, director of the Sierra Club's environmental justice program. "This isn't fluff. This is really integral."

The Fish Advisory Program, the Beach Program and the Environmental Education Program -- as well as outreach efforts under the toxics and pesticides programs -- would also see cuts in the White House's proposed fiscal 2013 budget.

All help environmental justice efforts. The Fish Advisory Program, for example, provides information to state, tribal and federal entities on the risks of eating locally caught fish with contaminants. Next year, the program would see about 50 percent of its funding cut -- or \$544,000 -- and the end of EPA's maintenance of the National Listing of Fish Advisories.

The agency's Chemical Risk Management program would also see its budget cut by about a third. Among other things, that would mean delays to providing guidance to schools on how to handle the presence of toxic chemicals, according to EPA.

Pesticides programs would see only a slight decrease, affecting outreach and training efforts for growers and workers, the agency said.

**Shifting the burden**

But cuts to EPA's radon programming were the focus of questions on a recent teleconference EPA hosted with environmental justice stakeholders.

When asked about the "catastrophic" cuts, Jackson emphasized that the agency has been helping raise awareness for a long time. With radon remediation now relatively inexpensive, she said, states should be able to take the lead on the responsibility.

"These are tough budget times, and President Obama has made clear that we have to make tough choices," Jackson said. "We have to increasingly rely on state programs that have now become mature enough" to function on their own.

Janice Nolen, assistant vice president at the American Lung Association, said in a recent interview that the loss of federal funding to radon awareness efforts may well mean the loss of state funds as well. Many states, she said, funded radon outreach efforts because EPA matched the funds.

"It's especially of concern for low-income communities who don't have the resources to do testing themselves," she said, adding that radon testing wasn't something many people considered when moving into a home.

But Nolen commended EPA for taking a "strong stance" on air pollution regulations -- which she said are the priority. She also emphasized that the agency was making inroads at the federal level, working with the Department of Housing and Urban Development and the Department of Defense to make sure radon testing was part of the planning for housing projects.

Indeed, EPA has focused much of its environmental justice efforts on raising federal awareness. Last week, federal agencies released their environmental justice strategies, aimed at integrating community input in decisions that can unfairly burden low-income and minority communities ([Greenwire](#), Feb. 27).

On last month's environmental justice call, Nancy Sutley, chairwoman of the White House Council on Environmental Quality, characterized such interagency cooperation as a way to consolidate and save money in today's fiscal environment.

"These are tough budget times, and every agency has to look very closely at its programs," she said. "Part of the work for the Environmental Justice Interagency Working Group is to make sure agencies know what each other is doing" and optimize their efforts.

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# TransCanada readies new route for Keystone oil pipeline

By Ramit Plushnick-Masti, Associated Press

Updated 18h 53m ago

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HOUSTON – A Canadian company that wants to build a 1,700-mile oil pipeline through the U.S. to the Texas Gulf Coast will be ready shortly to submit plans for a new route that avoids the environmentally sensitive Nebraska Sandhills region, a TransCanada executive said Tuesday.

TransCanada (TRP) also plans to begin construction on the pipeline's southern tier from Cushing, Okla., to Texas by late spring or early summer, said Alex Pourbaix, president of TransCanada's energy and oil pipelines division.

The pipeline is designed to bring oil from Canada's tar sands region in Alberta to refineries along the Texas Gulf Coast. The upper portion of the pipeline requires U.S. State Department approval because it crosses an international border, while the southern tier will need standard federal permits that Pourbaix believes will be ready shortly.

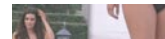
The State Department, backed by President Barack Obama, recently rejected the longer project, saying TransCanada needed to find a route that would avoid the Sandhills and the Ogallala Aquifer, a key water source for eight states.

At the time, Obama encouraged TransCanada to pursue the southern portion of the pipeline that would, in the short term, relieve a bottleneck of crude at Midwestern refineries.

Pourbaix said that part of the pipeline would be ready by 2013.

"We'll be taking care of that bottleneck between Cushing and the Gulf Coast," Pourbaix told reporters after

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By Matt Strasen, AP

This marker welcomes visitors to Cushing, Okla. TransCanada says it will build a pipeline from Oklahoma to Texas while working on an alternate route in Nebraska.

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That southern tier, he said, would only relieve the problem in the short term. Having that portion ready in advance will also not shorten the two-year construction timeline for the longer pipeline, Pourbaix said, due to the severe winters in the northern [United States](#) that prevent construction during those months.

In the long term, Canada wants to get more oil to market. Without the longer Keystone pipeline, that isn't possible. Pourbaix said as long as Keystone is completed by 2015 prospects for alternative western routes, which would take the product to China and the [Far East](#), are not likely to get approved.

Right now, Pourbaix believes [Keystone XL](#) can meet the 2015 deadline despite permitting delays. He said the company is working closely with the Nebraska government to find new routes and has identified several corridors that will be made public in a few weeks.

It appears the new plan will require about 20 miles of additional pipe, and about a 100-mile to 110-mile reroute around the Sandhills, Pourbaix said.

"We're talking about a relatively modest jog around the Sandhills," he said.

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# A. a Time When Texas Electricity Is Scarce, Does It Make Sense To Export It To Mexico?

By Brantley Hargrove

Published: Mon., Mar. 5 2012 @ 3:50PM

A company that supplies electricity to Texans called [American Electric Power](#) filed to renew its application to export electricity to Mexico with the U.S. Department of Energy back in December.

It operates a 720-megawatt coal-fired [power plant near Vernon](#), and apparently it has been supplying our southern neighbor with electricity for quite some time. In 2011, for example, AEP supplied the country with some 78,000 megawatt-hours (A megawatt-hour can power 1,000 homes for one hour).

Normally, AEP's renewal application would probably get rubberstamped. But not today.

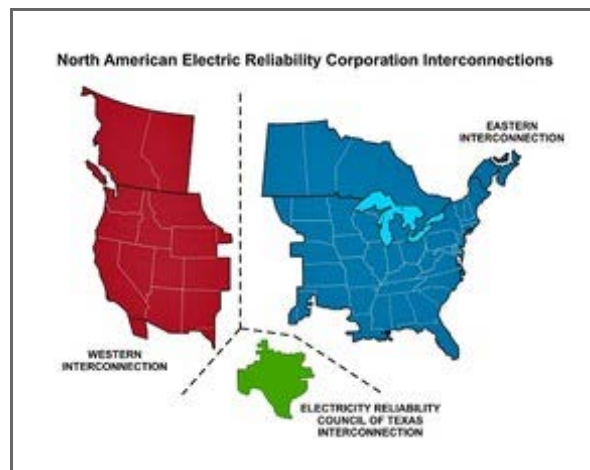
The Sierra Club is putting up a fight, and asking some valid questions: Namely, at a time when Texas's grid operator says we won't have enough electricity to meet peak demand by 2013, why should companies be allowed to export this precious commodity?

There's no easy answer. As Sierra Club notes in its [opposition](#) to the permit, both AEP and ERCOT have argued in federal court that new EPA regs should be blocked because they would imperil the reliability of the grid by forcing coal-fired power plants to shut down. So: "How much electric energy did AEP-EP ship to Mexico in the summer of 2011 when the grid in Texas may have been on the brink of failure?" Sierra Club asks. And why, then, doesn't electricity's export also sap grid reliability?

In its [response](#), ERCOT toed a fine line, careful not to be seen as opposing AEP's bid, but noting that it can halt exports if Texas's electrical system gets taxed. Spokesperson Dottie Roark tells Unfair Park that Texas can also import electricity from Mexico. But wouldn't much of Mexico's weather correspond with ours? Meaning: Wouldn't heat waves drive demand in Texas and Mexico at roughly the same times?

[Roark says we imported electricity from Mexico](#) during the August heat wave and the February freeze of 2011. [AEP](#) says the relationship is mutually beneficial.

Even if you take at face value ERCOT's and AEP's assertions that exporting electricity will never endanger grid reliability, what of the environmental impacts? Electricity generation, like other forms of industry, externalizes the cost of pollution, especially in Texas. By exporting electricity -- to the extent it's coal-fired -- we still get the billowing plumes from smokestacks, but none of the product, Sierra Club points out.



Weigh in, you uncommonly well-versed Friends of Unfair Park! Does this contradict the proclamations of calamity surrounding the EPA regs [currently stayed](#) by the U.S. Court of Appeals for the D.C. Circuit?

If you're interested in real-time data from ERCOT on Texas electricity imports and exports, check [this](#). If the DC Tie Flow is positive, that means we're exporting power.

#### Showing 6 comments



**Montemalone** 1 day ago

Hey, so long as AEP can make a big fat profit, who are we too complain? Corporations are people, my friend. They gotta eat!



**Paul** 1 day ago

In the grand scheme of things, 462 MW exported is barely 1.5% of total online generation. It isn't being used for system stability as it is being converted to DC.

What we don't know is how much of the generating station capacity from the Oklaunion plant is being transmitted to Mexico. The total amount of energy that the plant can produce at 100% output at a 95% utilization rate is about 5.9 million MWhr. So 78,000 MWhr is only 1.3% of their total production.

Nevertheless, it is one of those things that just doesn't look good, much like the photograph of Donna Rice sitting on Gary Hart's lap while on the good ship "Monkey Business".

It is taking up a slight bit of the excess of capacity over demand, but that doesn't amount to very much of the excess capacity over demand.

The interesting thing is that the power AEP is selling is having to be transported and potentially wheeled some 500+ miles to one of the DC interties with Mexico.



**Sceptical** 1 day ago

In an emergency, any exports (to Mexico or to Oklahoma) on the DC ties are cut.

Besides, with a system-wide price cap of \$3,000/MWh, as much power as can flow will be coming into Texas when there is extreme weather.



**claytonauger** 1 day ago

Really appreciate the upgrading in coverage on these kinds of stories. Thanks.



**Guest** 23 hours ago



## CERAWeek conference to focus on energy policy

By Simone Sebastian

Updated 12:33 a.m., Saturday, March 3, 2012

Energy policy will dominate the election-year program at the annual CERAWeek energy conference, which begins Monday at the Hilton Americas-Houston downtown.

The conference will tackle issues including the plummeting price of natural gas, tension in the Persian Gulf and the revival of U.S. oil production, in a dense weeklong schedule of speeches and panel discussions featuring energy executives and political leaders.

Deputy Energy Secretary Daniel Poneman will take the stage Wednesday to explain the Obama administration's energy policies, according to Daniel Yergin, chairman of IHS CERA, which organizes the conference.

President Barack Obama touted an "all-of-the-above" approach to developing domestic energy resources in his State of the Union address in January but has drawn ire from some oil and gas executives who say his policies stifle development of fossil fuels.

Yergin said the conference includes sessions that explore the effect of domestic energy production on the economy, managing environmental concerns and the role of renewable energy.

"There is not an agenda. It's to illuminate the issues and how policy will evolve given that we are in a political year," Yergin said. "There are a lot of points of view. It encourages debate."

Tuesday's sessions focus on oil and Wednesday's on natural gas. Thursday takes on electric power, including nuclear and renewables.

The CERAWeek conference attracts 2,200 attendees from across the energy world, including policymakers, business executives and financial leaders.

Speakers on the bill include CEOs Rex Tillerson of Exxon Mobil, Peter Voser of Royal Dutch Shell and Jeffrey Immelt of General Electric; Govs. John Hickenlooper of Colorado and John Kasich of Ohio; former Govs. Bill Richardson of New Mexico and Haley Barbour of Mississippi; and Adm. Mike Mullen, former chairman of the Joint Chiefs of Staff.

Yergin noted that the conference is taking place in a different environment than last year's, with high fuel prices and tensions with Iran near the top of the national agenda.

"Things in the world oil market are more tense, and the market is rather tight," Yergin said. "I think the political discourse on energy in this country has changed."


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## Chevron new ethane cracker to be operational by 2017

March 06, 2012 (United States of America)



Chevron Phillips Chemical Company has announced that it has completed several key elements of the feasibility study announced earlier this year and plans to pursue a project to construct a world-scale ethane cracker and ethylene derivatives facilities in the U.S. Gulf Coast region.

Chevron Phillips Chemical's existing Cedar Bayou facility in Baytown, Texas, would be the location of the new ethylene unit. The company has executed agreements with Shaw Energy and Chemicals to design a 1.5 million metric tons/year ethane cracker utilizing proprietary Shaw technology.

Chevron Phillips Chemical's proprietary technologies would be utilized for the construction of two new polyethylene facilities, each with an annual capacity of 500,000 metric tons. The new polyethylene units would be located either at the Cedar Bayou facility or a site nearby the Chevron Phillips Chemical Sweeny facility in Old Ocean, Texas. A final site selection decision for these units is anticipated during the first quarter of 2012.

Peter L. Cella, President and Chief Executive Officer, discussed the study's findings during a presentation at the Gulf Petrochemicals and Chemicals Association (GPCA) conference in Dubai, United Arab Emirates.

He also announced that the Environmental Protection Agency (EPA) greenhouse gas and Texas Commission on Environmental Quality (TCEQ) air permit applications for the new cracker would be filed this week. Cella indicated that the project is on track for final approvals in 2013.

"It is our opinion that this project offers unique advantages, including co-location of the cracker with our Cedar Bayou facility and other ancillary assets such as our broad feedstock and ethylene pipeline and storage cavern networks, proximity to the expanding natural gas liquids hub in Mont Belvieu and utilization of proprietary technology to meet the growing demand of our customers", said Cella.

If approved, the USGC Petrochemicals Project is expected to create approximately 400 long-term direct jobs and 10,000 engineering and construction jobs. "We are pleased that the development of shale gas resources in the United States has set the stage for major petrochemical investment and job creation in our own backyard," said Cella.

The estimated completion date for the USGC petrochemicals project is 2017.

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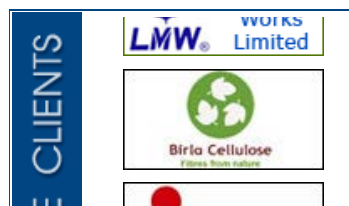
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## THE LEADER IN ENERGY &amp; ENVIRONMENTAL POLICY NEWS

**22. EPA:****Audit finds \$14M in improper payments to states from water funds**

Emily Yehle, E&amp;E reporter

Published: Tuesday, March 6, 2012

Last year, U.S. EPA improperly paid more than \$14 million to states through Clean Water and Drinking Water state revolving funds, almost eight times as much as the year before.

The agency recovered most of that money, and overall, the amount wasted through such grants is tiny in comparison to amounts paid improperly by agencies such as the Department of Defense and the Department of Health and Human Services. But as Congress and the White House target the more than \$100 billion in improper payments governmentwide each year, two recent reports provide a window into why and how EPA doles out money when it shouldn't.

In fiscal 2011, agencies across the government reported about \$116 billion in improper payments, down from about \$120 billion in 2010. Most of that is through Medicare and Medicaid, but environmental agencies suffer on a smaller scale.

At EPA, most improper payments are administrative errors -- duplicate checks, for example, or payments to the wrong contractor. But they have the possibility of becoming less innocuous; for example, an agency may become the victim of fraud if it doesn't closely monitor recipients.

In its recent financial report for fiscal 2011, EPA reported that \$14.18 million of the \$3.64 billion provided through its State Revolving Funds (SRF) was improper payments. Though a small percentage, that's far more than previous years, including 2010, when improper payments equaled only \$1.8 million of the \$4.8 billion disbursed.

The vast majority of improper payments last year were made with funds appropriated through the American Recovery and Reinvestment Act, which pumped large amounts of money into the revolving funds. A little more than 2.4 percent were from "base appropriations," according to EPA, which called that "a good indication of the low level of long-term risk in the SRF program."

But the agency's inspector general contends that EPA officials are also reporting a "misleading" error rate, pointing out in a recent [report](#) that the agency tested only about a third of the \$3.64 billion -- and did not report additional improper payments through grants to tribes, states and universities.

The IG report is one requirement of the Improper Payments Elimination and Recovery Act of 2010, which requires agencies to conduct annual risk assessments and expands the number of programs that are audited. Legislation from Sen. Tom Carper (D-Del.) -- which is making its way through Congress -- would update that law to, among other things, require a national "do not pay" list of contractors ([E&ENews PM](#), Oct. 19, 2011).

EPA complied with the law in its reporting, according to the IG, but the agency could "improve the accuracy and completeness of the information."

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# Block 21 building recognized for eco-friendly features

By **Gary Dinges**

AMERICAN-STATESMAN STAFF

Published: 8:58 p.m. Monday, March 5, 2012

One of downtown Austin's newest, most high-profile high-rises is now ranked among the world's most eco-friendly buildings.

The use of green building techniques and a focus on sustainability have helped Block 21, site of the W Austin Hotel and Residences and the ACL Live concert venue, gain recognition from Austin Energy and the U.S. Green Building Council.

Both organizations will honor developer Stratus Properties at a ceremony today.

"We were very deliberate about our decisions so we had a healthy environment," said Beau Armstrong, chairman and CEO of Stratus. "It resonates with our condo buyers, hotel guests and the bands that play at ACL Live.

"It benefits every aspect of our business."

The 37-story building is the largest to receive a four-star rating from Austin Energy, according to Armstrong, and it's the first mixed-use building of its type in the world to achieve Leadership in Energy and Environmental Design certification from the building council.

Block 21 is also one of just two dedicated music venues in the United States to be LEED certified.

The building's other tenants include the Urban Outfitters clothing store and Coal Vines, a restaurant.

"For Stratus to have embraced sustainability from the start is a very aspirational goal," said Gail Vittori, co-director of the Center for Maximum Potential Building Systems, which has served as an adviser to Stratus on several projects. "To see it all come together in a very elegant way, thanks to the coordination of so many different disciplines, is a great thing."

Steps taken to decrease electricity consumption include the use of reflective materials on the building's exterior, enhanced insulation, careful consideration of window placement and installation of low-voltage light fixtures, according to Armstrong.

All four measures are intended to decrease the need for lighting and air conditioning, among other energy benefits.

Natural lighting is available in about 75 percent of the regularly occupied areas of the building, Vittori said, resulting in a 37 percent decrease in the amount of electricity needed for lighting.

Conservation efforts extend to the building's water needs. Low-flow toilets and other eco-friendly fixtures are expected to decrease annual consumption by 2.4 million gallons, Armstrong said.

Nontoxic carpeting, paints and adhesives were selected as well, and housekeepers use nontoxic cleaning products.

"This is an example of responsible people in a responsible city doing the right thing," said Rick Fedrizzi, the U.S. Green Building Council's president, CEO and founding chair.

The certification process is complicated, Fedrizzi said, and requires developers to consider a variety of factors years before breaking ground.

"This is a very intensive thing," he said. "It's not just a slam dunk."

Contact Gary Dinges at 912-5987.

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**Find this article at:**

<http://www.statesman.com/business/block-21-building-recognized-for-eco-friendly-features-2219108.html>

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# Star-Telegram

## For some, electric cars are the best wa. to go

Posted Sunday, Mar. 04, 2012

BY BOB COX

[rcox@star-telegram.com](mailto:rcox@star-telegram.com)

Brent Beasley loved his Chevy Volt electric car even before gasoline seemed headed for \$4 a gallon. Now he's enjoying it even more.

Beasley, pastor of Broadway Baptist Church in Fort Worth, is one of the relatively few Americans to make the big upfront financial commitment required to drive a car that you plug in, rather than fill up.

"I'm a big fan" of the Volt, said Beasley, who leased one in July. "I like the way it drives. It's a nice car."

Beasley also loves passing gas stations. "I think I've put gas in five times since I've had it."

Fewer than 18,000 electric cars were sold in 2011, the first year that an environmentally conscious consumer could buy a roadworthy, commuter-friendly electric vehicle.

That slow start was due in part to the fact that the Volt, the first to the market, wasn't widely available until late in the year and the Nissan Leaf is still in short supply.

General Motors announced Friday that it is suspending production of the Volt for five weeks beginning March 19 because of lower-than-expected demand. Chevrolet sold 1,023 Volts in February and just 7,671 last year, below its original goal of 10,000 cars.

"The fact that GM is now facing an oversupply of Volts suggests that consumer demand is just not that strong for these vehicles," said Lacey Plache, chief economist for [Edmunds.com](http://Edmunds.com), a consumer car-buying advisory service.

"The price premium on the Volt just doesn't make economic sense for the average consumer when there are so many fuel-efficient gasoline-powered cars available, typically for thousands of dollars less," Plache said.

In addition to cost, the other great variable as automakers bring electric cars to the market is how quickly consumers will respond to the new technologies.

As more products are introduced, sales should rise, Plache said. "The Volt and Leaf didn't do it for everybody."

The Leaf has done it for Mike Marshall of Keller, who bought the all-electric vehicle in October.

Marshall, who has an 80-mile daily commute to and from his job in south Arlington, said he is saving more than \$500 a month on gasoline compared with the big Nissan pickup he had been driving.

"I've never been happier with a purchase in my life," he said.

More electric and hybrid electric vehicles are on their way to market as automakers try to make inroads with the early adopters and tech lovers.

Mitsubishi's i-MiEV is beginning to trickle into the U.S. A plug-in version of the Toyota Prius should also be arriving soon. Other EVs on the way this year or next include the BMW i3, the Ford Focus Electric, the Honda Fit EV and the Honda Accord EV.

Rising gas prices may generate more buyer interest in electric vehicles. But even with a \$7,500 federal tax rebate, they're still pricey.

The manufacturer's suggested retail price for the Volt starts at \$39,145 and the Leaf \$35,200, plus delivery charges and other fees.

Both Chevy and Nissan are offering lease deals that bring upfront costs down, since the leasing company gets the immediate benefit of the tax break. Still, few buyers or lessees will find that gas savings alone will pay for the difference between an electric car and a comparable small car.

"Now the problem is so many gasoline-powered cars are getting so much more fuel-efficient," Plache said. "It's getting harder to make the calculation that you will save money with an electric or even a hybrid vehicle."

That's where the less quantifiable environmental and societal benefit comes in for most early electric vehicle buyers.

"A lot of our owners have it because they want to save money but also because they want to reduce our dependence on petroleum, and this is a step in the right direction," Cristi Landy, Volt marketing director for Chevrolet.

Most Chevy dealers have some Volts in stock. Classic Chevrolet in Grapevine has nearly 30.



"We want to have plenty on hand when sales start increasing," said Bently Durant, a Classic manager who has been driving a Volt recently and believes it will catch on when people realize how "sporty it is."

Nissan of Fort Worth, however, has only one Leaf that it uses as a demonstrator. Customers who want one must place an order.

"It's an incredible car. I wish we had 20," said Frank Figueredo, general manager of the west Fort Worth dealership.

At an entirely different price point, an eager list of buyers are waiting to get their hands on the \$100,000-plus Fisker Karma gas-electric luxury sports car.

"We've got 15 sold orders in the bank," said Will Churchill, co-owner of Frank Kent Motor Co.

For electric vehicles to catch on broadly, consumers must understand the different technologies to see whether a car matches their lifestyles and uses.

"It's still surprising to us, and we do a lot of research, how many people don't understand how a Volt works," said Landy, the Chevy marketer.

The Volt's battery has about a 40-mile range. When the juice is gone a gasoline engine kicks on, automatically and unnoticed, driving a generator that provides electric power.

Nissan's Leaf is all-electric and has an advertised range of about 100 miles, but in real world driving is closer to 80. It has no backup. When the batteries are drained, the car stops.

Vehicles like the new plug-in Toyota Prius will have a very modest all-electric range plus a traditional gas-electric hybrid power system.

Although the Volt and Leaf can both be recharged from a typical 110-volt home electric outlet, most consumers will want to install faster 220-volt charging systems, a \$1,500 to \$2,000 expense.

As dozens of new charging stations are installed around the Metroplex by electric providers, EV drivers will be able to extend their range by topping off while shopping or at work

The cost of driving the cars, at least early in their lives, is negligible. Both Beasley and Marshall say they're spending no more than \$30 a month more for electricity and getting a lot of emotional satisfaction as well.

"I can justify it financially," Beasley said, "and I can feel good about it too."

Bob Cox, 817-390-7723

Twitter: [@bobcoxict](#)

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## Daily Environment Report™

Source: Daily Environment Report: News Archive > 2012 > March > 03/07/2012 > News > Air Pollution: EPA Sued Over Air Toxics Standards For Secondary Lead Smelting Facilities

44 DEN A-4

Air Poll. tion

### EPA Sued Over Air Toxics Standards For Secondary Lead Smelting Facilities

B. Jessica Coomes

Both industry and environmental groups are suing the Environmental Protection Agency over revised air toxics standards for secondary lead smelting facilities, which are expected to help bring some areas into compliance with the air quality standard for lead.

The Association of Battery Recyclers Inc., Johnson Controls Battery Group Inc., Doe Run Resources Corp., and the Sierra Club filed separate petitions for review March 5 in the U.S. Court of Appeals for the District of Columbia Circuit (Ass'n of Battery Recyclers Inc. v. EPA, D.C. Cir., No. 12-1129, 3/5/12; Johnson Controls Battery Group Inc. v. EPA, D.C. Cir., No. 12-1130, 3/5/12; The Doe Run Resources Corp. v. EPA, D.C. Cir., No. 12-1134, 3/5/12; Sierra Club v. EPA, D.C. Cir., No. 12-1135, 3/5/12).

EPA published a final rule on Jan. 5 that is expected to reduce lead and arsenic emissions by 68 percent and help areas attain the 2008 national ambient air quality standard for lead of 0.15 microgram per cubic meter (77 Fed. Reg. 556; 245 DEN A-3, 12/21/11).

The rule, which took effect immediately, lowered the emissions limit for lead to 0.2 milligram per dry standard cubic meter for secondary smelting facilities. This is 10 times more stringent than the previous standard.

The agency expects the regulation will cost industry \$49.7 million in capital expenditures for pollution controls. The rule applies to 16 facilities that use furnaces to recover lead from scrap, such as automobile batteries.

Aaron Miller, a Doe Run vice president, told Bloomberg BNA in a statement March 6 that it is premature to discuss the details of our position."

"The company believes it is important to protect the right to continue to provide this service, and the jobs and economic vitality it provides in the U.S., as opposed to sending scrap batteries and other lead-bearing materials to other countries for recycling," Miller added.

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## Daily Environment Report™

Source: Daily Environment Report: News Archive > 2012 > March > 03/07/2012 > News > Regulatory Policy: CEQ Issues Final Guidance on Efficiency In Agency Efforts to Comply With NEPA

44 DEN A-2

### Regulator. Policy

### CEQ Issues Final Guidance on Efficiency In Agency Efforts to Comply With NEPA

B. Alan Kovski

The White House Council on Environmental Quality issued final guidance March 6 to clarify that federal agencies can use various steps to increase the efficiency of all types of environmental reviews.

The guidance is intended not only to encourage efficiency in regulation but to specify that CEQ regulations that refer to efficiencies in an environmental impact statement (EIS) also should allow for efficiencies in an environmental assessment (EA), which are the analyses developed to satisfy requirements of the National Environmental Policy Act.

NEPA analyses are needed whenever a federal agency takes an action, such as approving a project, that could have a substantial impact on the environment. An EIS can take as much as two years to complete.

CEQ said the new guidance promotes efficiency among federal agencies by calling for concise documents. The guidance also calls for early integration of NEPA requirements into planning .at the earliest possible time to ensure that planning and decisions reflect environmental values, avoid delays later in the process, and anticipate and attempt to resolve potential issues."

#### Earliest Possible Involvement

The guidance calls for involvement of cooperating agencies in the examination of environmental issues at the earliest possible time in planning. The guidance also calls for involvement of federal agencies with state, local, and tribal governments through such steps as joint planning processes, joint environmental studies, and joint public hearings.

The council encourages coordination of various environmental reviews when they consider the same issues and information as a NEPA analysis. A federal agency also can adopt a portion of another federal agency's EIS or EA if appropriate.

CEQ said federal agencies can incorporate materials by reference in an EIS or EA as long as a proper citation is provided and a brief description of the contents of the incorporated materials is given. The incorporated materials must be reasonably available for inspection by interested parties.

Agencies should establish clear time lines for NEPA reviews, with appropriate time limits for various segments of the work of a NEPA review, the council said.

### BNA Snapshot

CEQ Guidance on Efficiency in NEPA Reviews

Ke. Provisions: CEQ specifies a set of procedural steps to expedite environmental analyses.

Potential Impact: The guidance could allow somewhat quicker reviews of the potential environmental impacts of agency actions.

### For More Information

The Council of Environmental Quality guidance on federal environmental reviews is available at [http://www.whitehouse.gov/sites/default/files/microsites/ceq/improving\\_nepa\\_efficiencies\\_06mar2012.pdf](http://www.whitehouse.gov/sites/default/files/microsites/ceq/improving_nepa_efficiencies_06mar2012.pdf).

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by Doug S

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Mar 05, 2012

# Feds reject Galveston County, Texas, redistricting plan

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By [Melanie Eversley](#), USA TODAY

Updated 1d 9h ago

The U.S. Department of Justice has rejected proposed redistricting plans that would reduce the number of justices of the peace and constables - and precincts - in Galveston County, Texas, saying the county has not been able to prove that its intentions are not discriminatory.

Texas is one of the states and places in the South that must undergo Voting Rights Act preclearance from either the Department of Justice or a federal court in Washington for any proposed changes involving elections because of a history of discrimination.

The proposed plan included reducing the number of justices of the peace from nine to five and the number of constables from eight to five, according to a letter dated March 5 signed by Thomas Perez, assistant attorney general, and addressed to James Trainor, a lawyer in Austin.

"Based on our analysis of evidence, we have concluded that the county has not met its burden of showing that the proposed plan was adopted with no discriminatory purpose," the letter read.

The agency faults the county for failing to adopt a set of criteria to guide the redistricting process. "The evidence establishes that this was a deliberate decision by the county to avoid being held to a procedural or substantive standard of conduct with regard to the manner in which it complied with the constitutional and statutory requirements of redistricting," the letter read.

## About Doug Stanglin

Doug is an unrepentant news junkie who loves breaking news and has been known to watch C-SPAN even on vacation. He has covered a wide range of domestic and international news stories, from prison riots in Oklahoma to the Moscow coup against Mikhail Gorbachev. Doug previous foreign editor at USA TODAY. [More about](#)

In addition, the only minority precinct commissioner was not informed of the proposed redistricting changes.

The Justice Department released the news to the media via an email. Officials in Galveston County could not be reached late Monday. Galveston County Judge Mark Henry told [The Daily News](#) last week that the federal agency's request for more information in the case was a "delaying tactic."

TAGS:

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## About Michael Winter

Michael Winter has been a daily contributor to [Deadline](#) since its debut in January 2006. His journalism career began in the prehistoric days of print. He was an early adapter at the dawn of the Internet. His varied experience includes editing at the *Philadelphia Inquirer* and the *Mercury News*.

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March 7, 2012

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# So Will That Be the Wild or Patented Salmon?

Posted: 03/ 6/2012 12:14 pm

React



It looks like 2012 will be the year of two salmons: one a genetically altered "[Frankenfish](#)" currently under review by the Food and Drug Administration, and the other an inhabitant of one of the world's last great wild salmon runs, which is unfortunately situated atop a whole lot of copper and gold deposits.

Our first salmon represents a giant step into the unknown of genetically engineered organisms. [AquaBount.](#), a company originally incorporated to produce antifreeze, is trying to get FDA approval of its very own patented salmon species called "AquAdvantage." If approved, the purportedly sterile, all-female salmon would be the [first-ever](#) market-approved, genetically engineered protein to reach our dinner plates. But in the absurd world of engineered food, the FDA is not reviewing AquAdvantage salmon as "fish," rather it's being studied as a "[new animal drug](#)." A new animal drug -- sorry, "fish" -- that

wouldn't require labeling on grocery shelves or menus.

Three consumer groups -- Food and Water Watch, Consumers Union and the Center for Food Safety -- recently submitted a [petition](#) calling on the FDA to reclassify the genetically altered fish so that it undergoes a more rigorous review process. Even the current Congress has taken note, with at least [30 House members and 14 senators](#) having written the Obama administration expressing serious concerns about the FDA's review of AquAdvantage salmon, in some cases calling for the outright prohibition of its approval for human consumption.

In a hearing last December, [Four Fish](#) author Paul Greenberg [told a Senate subcommittee](#) that "This fish is not worth the risk. We would be better pursuing a course of truly sustainable aquaculture and better management and use of our wild fisheries."

Which brings us to our second salmon of 2012, one that swims wild and free but faces a big crisis in Southwestern Alaska. Several mining corporations think that Bristol Bay, home to the world's largest wild sockeye salmon run, would be a great place to hollow out what would be one of the largest open-pit mines on the planet. In digging out deposits of copper and gold, the [Pebble Mine](#) complex would require an immense containment pond to hold up to 10 billion tons of mine waste, all held back by nine miles of dams reaching up to [740 feet high](#). For perspective, the Hoover Dam is 726 feet high and a relatively meager 1,200 feet wide, so we're talking potentially 40 Hoover Dams stretching across the Alaskan wilderness.

This risky development would straddle two of the Bay's most important salmon streams and, just to keep things really interesting, sit on top of a [seismically-active zone](#). And the Pebble Mine may be just the start of much more mineral excavation in the region, because the massive investment in infrastructure that the mine would require -- roads, pipelines, a shipping port -- will likely lead to even more mining proposals. Proponents of course cite the new jobs that the mine would create, about 1,000 long-term jobs according to the [Pebble Partnership](#), while perhaps conveniently ignoring the [thousands of local jobs](#) already supported by the sustainably-managed salmon fishery in the region -- jobs that could be put in jeopardy if the project is approved.

The Pebble Mine's future may be decided this summer. Congress will conduct hearings on the project by June, while an alliance of sportsmen, Alaska tribes, native corporations, commercial fishermen and even [chefs from across the country](#) are petitioning the Environmental Protection Agency to [invoke its Clean Water Act authority](#) and protect this important salmon spawning and wildlife habitat.

So, 2012, which salmon will it be for dinner: wild or patented? That depends on whether we decide if protecting one of the last wild stocks trumps the profit potential (for a selected few) that gold and copper mining presents. It also depends on whether we think allowing genetically modified fish on grocery shelves is acceptable, despite not fully understanding the health and environmental costs. Which do you prefer? We know what sounds good to us.

Originally published at [Ecocentric](#).

Follo. Peter Hanlon on Twitter: [www.twitter.com/pedrohanlon](http://www.twitter.com/pedrohanlon)

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# Second in command a. TCEQ is lone applicant for top job

By **Farzad Mashhood**

Published: 9:45 p.m. Tuesday, March 6, 2012

A former environmental adviser to Gov. Rick Perry is the lone applicant to run the state's environmental agency after spending about 2½ years as the agency's second in command.

The Texas Commission on Environmental Quality's three-member board will meet today to discuss — and possibly vote on — the promotion of 36-year-old Zak Covar to head the world's second-largest environmental agency, which employs more than 2,700 people and has an annual budget of \$346 million.

Currently the deputy executive director, Covar was praised by agency officials for his legislative insight and knowledge of environmental issues at the time of his promotion in 2009. However, his promotion to executive director would be unusual because he has a background in policy and politics; past agency chiefs have been longtime state employees.

Environmental leaders, who typically criticize the agency as being too lenient on industrial polluters, said that Covar would be a good choice because of his experience within the agency, but is not likely to strengthen the agency's regulation of polluters.

"For an agency that has been roundly criticized in the past, by me and by other people, of being an agency that is controlled directly by the governor's office ... those sort of criticisms are only going to be amplified" by promoting Covar, said Matthew Tejada, executive director of Air Alliance Houston, an environmental group.

Although the three Perry-appointed commissioners set the agency's policy, the executive director has considerable authority on permitting and rule enforcement. A highly technical agency with rich resources in equipment and environmental expertise, the commission is in the midst of implementing recommendations from the Legislature. The agency needs to create new rules and operating procedures in response to investigators with the state's Sunset Advisory Commission finding in November 2010 that, among other concerns, penalties at the environmental commission fail to act as effective deterrents against pollution.

The executive director job was posted internally for only six days; the commission wanted to hire from within because it "felt it was the best way to continue the stability and progress the agency was making," agency spokesman Andy Saenz said.

Covar, who through a spokeswoman declined to be interviewed, makes \$138,426 a year and would earn \$142,500 if promoted to executive director.

The commissioners are expected to discuss Covar's application today in a closed session but won't necessarily make a hire, Saenz said.

Covar, who has a bachelor's degree in poultry science from Texas A&M University and graduated from Austin's McNeil High School, is applying to replace Mark Vickery, who announced Feb. 23 that he plans to retire in May after a 25-year career in the environmental commission and its predecessor, the Texas Water Commission. Vickery worked in virtually every area of the agency and rose through the ranks as a director, deputy executive director and, in June 2008, executive director.

Former Commissioner Kathleen Hartnett White, a senior fellow at the conservative-leaning Texas Public

Policy Foundation, oversaw the hiring of three executive directors in her six-year term, all of whom were promoted from within, and said it would be tough for an outsider to lead the agency.

"There would be a very sharp learning curve. So many of the issues they deal with go back nearly 20 years," White said.

Covar has had a meteoric rise in the commission, starting out as primary adviser to then-Commissioner and current Chairman Bryan Shaw in November 2007 after a nearly three-year stint as Perry's adviser for environmental and natural resources.

In June 2008, Covar jumped over from the agency's policy side to the staff side as the assistant deputy executive director and then deputy executive director in September 2009.

Covar began his career in 2001 working for Republican state Rep. Dennis Bonnen of Angleton, then clerking for the House Environmental Regulation Committee and eventually advising Perry from 2005 to 2007, defending, among other things, the governor's stance that scientists were still debating global warming.

Contact Farzad Mashhood at 445-3972

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